



AGENDA

Finance and Administration Committee Meeting

Committee Members

Michael Hennessey, Chairman
Richard Murphy, Vice Chairman
Andrew Do
Gene Hernandez
Steve Jones
Michelle Steel

Orange County Transportation Authority
Headquarters
550 South Main Street
Board Room – Conf. Room 07
Orange, California

Wednesday, March 13, 2019 at 10:30 a.m.

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the OCTA Clerk of the Board, telephone (714) 560-5676, no less than two (2) business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

Agenda descriptions are intended to give members of the public a general summary of items of business to be transacted or discussed. The posting of the recommended actions does not indicate what action will be taken. The Committee may take any action which it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action.

All documents relative to the items referenced in this agenda are available for public inspection at www.octa.net or through the Clerk of the Board's office at the OCTA Headquarters, 600 South Main Street, Orange, California.

Call to Order

Pledge of Allegiance

Director Hernandez

1. Public Comments

Special Calendar

There are no Special Calendar matters.

Consent Calendar (Items 2 through 8)

All items on the Consent Calendar are to be approved in one motion unless a Committee Member or a member of the public requests separate action or discussion on a specific item.

2. Approval of Minutes

Approval of the minutes of the Finance and Administration Committee meeting of February 13, 2019.



3. Local Agency Investment Fund - January 2019

Sean Murdock/Andrew Oftelie

Overview

The Orange County Transportation Authority invests a portion of its liquid portfolio in the State of California Local Agency Investment Fund. Each month, the State Treasurer's office publishes a report detailing the composition of the pool. The attached summary statements from the report are for the month ending January 2019. The report has been reviewed and is consistent with the investment practices of the State Treasurer's Office.

Recommendation

Receive and file as an information item.

4. Orange County Treasurer's Management Report - January 2019

Sean Murdock/Andrew Oftelie

Overview

The Orange County Transportation Authority invests a portion of its liquid portfolio in the Orange County Investment Pool. Each month, the Orange County Treasurer publishes a comprehensive report detailing the composition of the pool and the prevailing economic and market conditions. The attached Treasurer's Management Report for the Orange County Investment Pool is for the month ending January 31, 2019. The report has been reviewed and is consistent with the investment practices of the Orange County Treasurer.

Recommendation

Receive and file as an information item.



5. Orange County Transportation Authority Investment and Debt Programs - January 2019
Sean Murdock/Andrew Oftelie

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending January 31, 2019. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy.

Recommendation

Receive and file as an information item.

6. Local Transportation Fund Claims for Fiscal Year 2019-20
Sam Kaur/Andrew Oftelie

Overview

The Orange County Transit District is eligible to receive funding from the Local Transportation Fund for providing public transportation services throughout Orange County. In order to receive these funds, the Orange County Transit District, as the public transit and community transit services operator, must file claims with the Orange County Transportation Authority, the transportation planning agency for Orange County.

Recommendation

Adopt Orange County Transit District Resolution No. 2019-014 authorizing the filing of Local Transportation Fund claims, in the amounts of \$164,730,028 to support public transportation, and \$8,733,198 for community transit services.



7. Environmental Mitigation Program Endowment Fund Investment Report for December 31, 2018
Sean Murdock/Andrew Oftelie

Overview

The Orange County Transportation Authority has developed a Natural Community Conservation Plan/Habitat Conservation Plan, acquired conservation properties, and funded habitat restoration projects to mitigate the impacts of Measure M2 freeway projects. California Community Foundation manages the non-wasting endowment required to pay for the long-term management of the conservation properties. Each quarter, the California Community Foundation publishes a comprehensive report detailing the composition of the pool and its performance. Attached is the quarterly investment report for the Endowment Pool for the period ending December 31, 2018. The report has been reviewed and is consistent with the pool objectives.

Recommendation

Receive and file as an information item.

8. Fiscal Year 2018-19 Second Quarter Budget Status Report
Anthony Baruch/Andrew Oftelie

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2018-19 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the second quarter of fiscal year 2018-19.

Recommendation

Receive and file as an information item.



Regular Calendar

9. **Orange County Transportation Authority Internal Audit Department Peer Review**
Janet Sutter

Overview

An external quality assurance, or peer, review has been completed of the Internal Audit Department of the Orange County Transportation Authority. The peer review found that the Internal Audit Department's quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Generally Accepted Government Auditing Standards for the period January 1, 2016 through December 31, 2018. The peer review team also provided a management letter with two suggestions to further strengthen the internal quality control system.

Recommendation

Direct the Internal Audit Department to implement the suggestions provided by the Association of Local Government Auditors in a letter dated February 7, 2019.

Discussion Items

10. **Measure M2 Bond Pricing Summary**
Sean Murdock/Andrew Oftelie

Staff will present a summary to the Finance and Administration Committee on the pricing activities for the Measure M2 bonds. The bonds were priced on February 12, 2019 and closed on February 26, 2019.

11. **Chief Executive Officer's Report**

12. **Committee Members' Reports**

13. **Closed Session**

There are no Closed Session items scheduled.

14. **Adjournment**

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, March 27, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.



Committee Members Present

Michael Hennessey, Chairman
Richard Murphy, Vice Chairman
Andrew Do
Gene Hernandez
Steve Jones

Staff Present

Ken Phipps, Deputy Chief Executive Officer
Laurena Weinert, Clerk of the Board
Gina Ramirez, Deputy Clerk of the Board
James Donich, General Counsel
OCTA Staff and Members of the General Public

Committee Members Absent

Michelle Steel

Call to Order

The February 13, 2019 regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Hennessey at 10:40 a.m.

Pledge of Allegiance

Director Jones led in the Pledge of Allegiance.

1. Public Comments

No public comments were received.

Special Calendar

2. Committee Meeting 2019 Schedule

Committee Chairman Hennessey led a discussion regarding the Finance and Administration Committee's proposed 2019 meeting dates and time as provided in Attachment A.

No action was taken on this item.

3. Roles and Responsibilities of the Finance and Administration Committee

Committee Chairman Hennessey provided opening remarks and encouraged new Committee Members to review the roles and responsibilities of the committee as new projects come up.

No action was taken on this item.



Consent Calendar (Items 4 through 11)

4. Approval of Minutes

A motion was made by Committee Vice Chairman R. Murphy, seconded by Director Do, and declared passed by those present, to approve the minutes of the Finance and Administration Committee meeting of January 23, 2019.

5. Audit Responsibilities of the Finance and Administration Committee

A motion was made by Committee Vice Chairman R. Murphy, seconded by Director Do, and declared passed by those present, to approve the Audit Responsibilities of the Finance and Administration Committee as an information item.

6. Agreed-Upon Procedures Performed with Respect to the National Transit Database Report for the Period July 1, 2017 through June 30, 2018

This item was pulled by Committee Chairman Hennessey who inquired on the term “crosswalk” used in the letter from Vavrinek, Trine, Day & Co., LLP.

Janet Sutter, Executive Director of Internal Audit, stated the term is commonly used in the audit industry and means to trace the figures to the respective National Transit Database Reporting Forms back through the general ledger so there is no discrepancy.

A motion was made by Committee Chairman Hennessey, seconded by Director Do, and declared passed by those present, to receive and file the Orange County Transportation Authority Agreed-Upon Procedures Performed with Respect to the National Transit Database Report for the Period July 1, 2017 through June 30, 2018, as an information item.

7. Orange County Treasurer’s Management Report - December 2018

A motion was made by Committee Vice Chairman R. Murphy, seconded by Director Do, and declared passed by those present, to receive and file as an information item.

8. Approval of Local Transportation Fund Fiscal Year 2019-20 Apportionment Estimates

A motion was made by Committee Vice Chairman R. Murphy, seconded by Director Do, and declared passed by those present, to approve the Local Transportation Fund fiscal year 2019-20 apportionment estimates and authorize the Chief Executive Officer to advise all prospective claimants of the amounts of all area apportionments from the Orange County Local Transportation Fund for the following fiscal year.



9. Adopt the 2019 Investment Policy

A motion was made by Committee Vice Chairman R. Murphy, seconded by Director Do, and declared passed by those present, to adopt the 2019 Investment Policy.

10. Consultant Selection for Real Property Management Services

Committee Chairman Hennessey pulled this item to inquire on how many leases there are on the rail right-of-way property.

James G. Beil, Executive Director of Capital Programs, responded that everything done on the rail right-of-way is a license. He stated that the term license and lease are interchangeable on the rail right-of-way.

A motion was made by Committee Vice Chairman R. Murphy, seconded by Director Do, and declared passed by those present, to:

- A. Approve the selection of Cal Pacific Land Services, Inc., as the firm to provide real property management services.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-8-1853 between the Orange County Transportation Authority and Cal Pacific Land Services, Inc., as the firm to provide real property management services, in the amount of \$600,000, for a five-year term.

11. Consultant Selection for the Preparation of Plans, Specifications, and Estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project

A motion was made by Committee Vice Chairman R. Murphy, seconded by Director Do, and declared passed by those present, to:

- A. Approve the selection of Parsons Transportation Group, Inc., as the firm to prepare the plans, specifications, and estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-8-2107 between the Orange County Transportation Authority and Parsons Transportation Group, Inc., to prepare the plans, specifications, and estimates for the 91 Express Lanes Toll Entrances Gantry Infrastructure Project.

Regular Calendar

12. 91 Express Lanes Update for the Period Ending December 31, 2018

Kirk Avila, General Manager of Express Lanes Programs, provided a PowerPoint on the following:

- State Route 91 Corridor;
- Background;
- Traffic Volumes Reach Historic Highs;
- Toll Revenues Continue to Increase;
- Outstanding Debt Totals \$97.8 Million;
- Number of Accounts and Transponders; and
- Upcoming Events.

A lengthy discussion ensued regarding the following:

- Resistance with 6C sticker versus transponders;
- Each vehicle on the account will receive a 6C sticker;
- Increase in revenues due to more customers and usage; and
- Reaching capacity during peak time of 3:00 p.m. to 6:00 p.m. especially on Thursday and Friday.

Director Do expressed his concerns regarding enforcement of toll evasion and inquired if it would benefit the Orange County Transportation Authority (OCTA) to increase the budget for the California Highway Patrol (CHP) to provide additional enforcement services.

Mr. Avila responded that staff is currently in discussions with the CHP for a new agreement to provide additional enforcement services on the 91 Express Lanes (Express Lanes).

Committee Chairman Hennessey inquired on the Express Lanes and general purpose lanes throughput.

Mr. Avila stated that OCTA does not track the general purpose lanes, however, there have been 17.2 million trips routed onto the Express Lanes and that adds value to the general purpose lanes.

Ken Phipps, Deputy Chief Executive Officer (DCEO), noted that the Express Lanes revenues have provided improvements to the general purpose lanes throughput.

Following the discussion, no action was taken on this receive and file information item.



Discussion Items

13. Chief Executive Officer's Report

Ken Phipps, DCEO, reported on the following:

- Andrew Oftelie, Chief Financial Officer (CFO), and Sean Murdock, Director of Finance and Administration, are in New York regarding the Measure M2 (M2) bonds for the Interstate 405 Improvement Project.
- On Tuesday, February 19th at 10:00 a.m. OCTA will host a dedication event to mark the completion of the parking structure at the Orange Metrolink Station.
- The M2 bonds for the Interstate 405 Improvement Project were issued for sale today. Staff refinanced \$43.5 million in outstanding debt at an aggregate interest rate of 3.14 percent, and this refinancing will save OCTA \$2.58 million.

14. Committee Members' Reports

Committee Chairman Hennessey discussed the positive news regarding the M2 bonds this morning, on a telephone call, with Andrew Oftelie, CFO, in New York.

15. Closed Session

There were no Closed Session items scheduled.

16. Adjournment

The meeting adjourned at 11:11 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, February 27, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

ATTEST

Gina Ramirez
Deputy Clerk of the Board

Michael Hennessey
Committee Chairman



March 13, 2019

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Local Agency Investment Fund - January 2019

Overview

The Orange County Transportation Authority invests a portion of its liquid portfolio in the State of California Local Agency Investment Fund. Each month, the State Treasurer's office publishes a report detailing the composition of the pool. The attached summary statements from the report are for the month ending January 2019. The report has been reviewed and is consistent with the investment practices of the State Treasurer's Office.

Recommendation

Receive and file as an information item.

Discussion

As of January 31, 2019, the fair value including accrued interest of the Pooled Money Investment Account (PMIA) was \$93,535,704,852 with an average monthly effective yield of 2.355 percent and a month-end weighted average maturity of 188 days. The Local Agency Investment Fund (LAIF) is a component of the State of California PMIA. The month-end balance of LAIF was \$22,449,336,492. The Orange County Transportation Authority's month-end balance in LAIF was \$10,544,129.

The average monthly effective yield is the average of the daily yield for the month. The yield is the income return on an investment, such as the interest received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost and current market value.

Summary

The Orange County Transportation Authority is submitting a copy of the Local Agency Investment Fund statements and summary reports to the Finance and Administration Committee. The statements are for the month ending January 31, 2019.

Attachment

A. Local Agency Investment Fund – As of January 31, 2019

Prepared by:



Sean Murdock
Director,
Finance and Administration
(714) 560-5685

Approved by:



Andrew Oftelie
Chief Financial Officer
(714) 560-5649

Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

www.treasurer.ca.gov/pmia-laif/laif.asp
February 14, 2019

ORANGE COUNTY TRANSPORTATION AUTHORITY

MANAGER, TREASURY/PUBLIC FINANCE
550 SOUTH MAIN STREET
P.O. BOX 14184
ORANGE, CA 92613-1584

[PMIA Average Monthly Yields](#)

Account Number:
80-30-001

[Tran Type Definitions](#)

January 2019 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
1/15/2019	1/14/2019	QRD	1594139	SYSTEM	63,333.32

Account Summary

Total Deposit:	63,333.32	Beginning Balance:	10,480,795.24
Total Withdrawal:	0.00	Ending Balance:	10,544,128.56



CALIFORNIA STATE TREASURER FIONA MA, CPA



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
01/14/19	2.35	2.34	185
01/15/19	2.36	2.34	187
01/16/19	2.36	2.34	188
01/17/19	2.36	2.34	189
01/18/19	2.37	2.34	190
01/19/19	2.37	2.35	190
01/20/19	2.37	2.35	190
01/21/19	2.37	2.35	190
01/22/19	2.37	2.35	188
01/23/19	2.37	2.35	187
01/24/19	2.37	2.35	188
01/25/19	2.38	2.35	188
01/26/19	2.38	2.35	188
01/27/19	2.38	2.35	188
01/28/19	2.38	2.35	185
01/29/19	2.38	2.35	187
01/30/19	2.38	2.35	186
01/31/19	2.39	2.36	188
02/01/19	2.39	2.36	191
02/02/19	2.39	2.36	191
02/03/19	2.39	2.36	191
02/04/19	2.39	2.36	189
02/05/19	2.39	2.36	187
02/06/19	2.39	2.36	187
02/07/19	2.39	2.36	187
02/08/19	2.39	2.36	187
02/09/19	2.39	2.36	187
02/10/19	2.39	2.36	187
02/11/19	2.39	2.36	185
02/12/19	2.39	2.36	183
02/13/19	2.39	2.37	182

*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

LAIF Performance Report

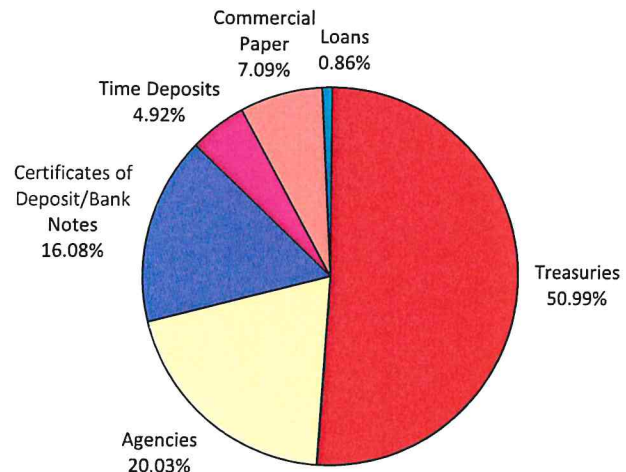
Quarter Ending 12/31/18

Apportionment Rate: 2.40
 Earnings Ratio: 0.00006573663340150
 Fair Value Factor: 0.999051127
 Daily: 2.32%
 Quarter to Date: 2.21%
 Average Life: 192

PMIA Average Monthly Effective Yields

Jan 2019 2.355
 Dec 2018 2.291
 Nov 2018 2.208

Pooled Money Investment Account Portfolio Composition 01/31/19 \$93.1 billion



Percentages may not total 100%, due to rounding.

Based on data available as of 2/13/2019



Fair Value Including Accrued Interest	\$ 93,535,704,852.02
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Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).



March 13, 2019

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Orange County Treasurer's Management Report - January 2019

Overview

The Orange County Transportation Authority invests a portion of its liquid portfolio in the Orange County Investment Pool. Each month, the Orange County Treasurer publishes a comprehensive report detailing the composition of the pool and the prevailing economic and market conditions. The attached Treasurer's Management Report for the Orange County Investment Pool is for the month ending January 31, 2019. The report has been reviewed and is consistent with the investment practices of the Orange County Treasurer.

Recommendation

Receive and file as an information item.

Discussion

As of January 31, 2019, the book value of the Orange County Investment Pool (OCIP) Money Market Fund was \$728,853,525 with a monthly gross yield of 1.97 percent and a month-end average days to maturity of 38 days. The OCIP Extended Fund book value was \$7,853,873,204 with a monthly gross yield of 2.14 percent and a month-end average days to maturity of 389 days. The Orange County Transportation Authority's month-end balance in the OCIP was \$171,317; the combined pool had a monthly gross yield of 2.10 percent and month-end average days to maturity of 329 days.

The monthly gross yield is the average of the daily yield for the month. The yield is the income return on an investment, such as the interest received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost and current market value.

During January, there were three changes to the Treasurer's Approved Issuer List. Berkshire Hathaway Inc., Berkshire Hathaway Finance, and Royal Bank of

Canada were removed from the Approved Issuer List. Both the Money Market Fund and the Extended Fund were in compliance at month-end. Pages 26 through 103 containing investment inventory are not included in the attachment. Copies of OCIP's investment inventory reports are available upon request.

Summary

The Orange County Transportation Authority is submitting a copy of the Orange County Treasurer's Management Report to the Finance and Administration Committee. The report is for the month ending January 31, 2019.

Attachment

- A. Treasurer's Monthly Investment Report – January 31, 2019

Prepared by:



Sean Murdock
Director,
Finance and Administration
(714) 560-5685

Approved by:



Andrew Oftelie
Chief Financial Officer
(714) 560-5649

Treasurer's Monthly **INVESTMENT** JANUARY 2019 **REPORT**

From the Office of
SHARI L. FREIDENRICH, CPA, CCMT, CPFA, ACPFIM
Orange County Treasurer



COUNTY OF ORANGE

TREASURER'S INVESTMENT REPORT
For January 31, 2019

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OFFICE OF THE TREASURER-TAX COLLECTOR
SHARI L. FREIDENRICH, CPA, CCMT, CPFA, ACPFIM



INTERDEPARTMENTAL COMMUNICATION

Date: February 15, 2019

To: Supervisor Lisa Bartlett, Chairwoman
Supervisor Michelle Steel, Vice-Chair
Supervisor Andrew Do
Supervisor Doug Chaffee

From: Shari L. Freidenrich, CPA, CCMT, CPFA, ACPFIM *SLF*

Subject: Treasurer's Investment Report for the Month Ended January 31, 2019

Attached please find the Treasurer's Investment Report for the County of Orange for the month ended January 31, 2019. The County Treasurer provides this report in compliance with California Government Code Sections 53607, 53646, and 27134 and the County's Investment Policy Statement (IPS). The Treasurer has updated the compliance summary in Section VI to reflect the 2019 IPS changes approved by the Board of Supervisors in December. We have included some charts and other data for your information including charts on fund composition and the top ten pool participants. This report is also publicly available on our website at ocgov.com/ocinvestments.

INVESTMENT POOL COMPOSITION

The investments contained within this report are as of January 31, 2019. The Investment Pool Statistics summary shows the total investment responsibility of the County Treasurer as delegated by the Board of Supervisors: the Orange County Investment Pool (OCIP) that includes the Voluntary Participants' funds, the Orange County Educational Investment Pool (OCEIP), the John Wayne Airport Investment Fund and various other non-Pooled investment funds. The investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner which will provide maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

The County Treasurer established three short-term funds, the Orange County Money Market Fund (OCMMF), the Orange County Educational Money Market Fund (OCEMMF), and the John Wayne Airport Investment Fund, which all are invested in cash-equivalent securities and provide liquidity for immediate cash needs. Standard & Poor's, on September 28, 2018, reaffirmed their highest rating of AAAM on the OCMMF and the OCEMMF. The County Treasurer also established the Extended Fund that is generally invested to meet longer-term cash needs up to five years. The Orange County Investment Pool is comprised of the Orange County Money Market Fund and portions of the Extended Fund. The Orange County Educational Investment Pool is comprised of the Orange County Educational Money Market Fund and portions of the Extended Fund.

The maximum maturity of investments for the OCMMF and the OCEMMF is 13 months, with a maximum weighted average maturity (WAM) of 60 days, and they have a current WAM of 38 and 46, respectively. The maximum maturity of investments for the John Wayne Airport Investment Fund is 15 months, with a maximum WAM of 90 days, and a current WAM of 88. The maximum maturity of the Extended Fund is five years, with duration not to exceed 1.5 years, and the duration is currently at 1.04. The investments in all of the funds are marked to market daily to calculate the daily fair value of the funds. To further maintain safety, adherence to an investment strategy of only purchasing top-rated securities and diversification of instrument types and maturities is required.

ECONOMIC UPDATE

In January 2019, the job market added 304,000 new jobs, and December's job numbers were revised downward by 90,000 to 222,000. The U.S. unemployment rate for January rose to 4.0% from 3.9% in December. The Empire State Manufacturing Index in December decreased to 3.9 from 11.5% in December. The Philadelphia Fed Index increased to 17.0, and December's number was revised downward by 0.3 to 9.1. The Federal Reserve uses these indexes as regional economic gauges, and a reading above zero signals economic expansion. With respect to housing, S&P/CaseShiller

Mission: Ensure safe and timely receipt, deposit, collection and investment of public funds.

reported that year-over-year housing prices increased for the seventy-ninth consecutive month in November, up 5.19% from a year ago. The index for pending home sales decreased 9.5% on a year-over-year basis in December, and November's numbers were revised downward by 0.1% to -7.8%.

The 10-year Treasury rate decreased from 2.69% in December to 2.63% in January. The short-term 90-day T-bill decreased from 2.45% at the end of December to 2.41% at the end of January. The rate on the 2-year Treasury note was 2.45% at the end of January, down from 2.48% in December.

INVESTMENT INTEREST YIELDS AND FORECAST

The current gross interest yield year-to-date for fiscal year 2018/2019 is 1.87% for OCIP and 1.90% for OCEIP. The current net yield for fiscal year 2018/2019 is 1.81 for OCIP and 1.84% for OCEIP. The forecasted gross and net yields for fiscal year 2018/2019 for both the OCIP and OCEIP is 1.81%. We expect to provide our updated estimate next month based on the December increase of 0.25 percent of the benchmark Federal Funds rate.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

Each month, the County Treasurer apportions the accrued interest earnings to each pool participant. As of the first business day of the following month accrued, but unpaid, interest earnings are added to pool participants' average balances in determining a participant's relative share of the pool's monthly earnings. The actual cash distribution will generally be paid in the month following. The December 2018 and January 2019 interest apportionments are expected to be paid in March 2019 and April 2019, respectively. The investment administrative fee for fiscal year 2018/2019 is estimated at 5.9 basis points.

TEMPORARY TRANSFERS

The County Treasurer, as required by Constitution Article XVI, Section 6, and per the Board of Supervisor's Resolution 15-016, is authorized to make temporary transfers to school districts to address their short-term cash flow needs. The loans are secured by tax receipts to be received by the County Treasurer, as the banker for the school districts. There are no temporary transfers outstanding as of January 31, 2019.

PORTFOLIO HOLDINGS OF DEBT ISSUED BY POOL PARTICIPANTS

Under guidelines outlined in the current IPS, the County Treasurer may invest in "A" or above rated securities issued by municipalities. Municipal debt issued by the County of Orange is exempt from this credit rating requirement. The Investment Pools may invest no more than 5% of individual pool assets in any one issuer, with the exception of the County of Orange which has a 10% limit. On January 14, 2019, the Investment Pools purchased \$402 million of unrated County of Orange Taxable Pension Obligation Bonds Series 2019A debt in a private placement bringing the total market value of holdings to \$521 million, which represents approximately 5.43% of the total pooled funds. Prior to purchasing any pool participant debt, a standardized credit analysis is performed.

COMPLIANCE SUMMARY

The investment portfolios had no compliance exceptions for the month of January 2019. On December 11, 2018, the Auditor-Controller issued a First Follow-Up Audit on the Management Letter on Audit of the Schedule of Assets Held by the County Treasury as of June 30, 2016, which was not reported in the December 2018 Treasurer's Investment Report. This follow-up audit found that Treasurer implemented one recommendation out of the three open with two recommendations still in process. In addition on January 22, 2019, the Auditor-Controller issued their report on Compliance Monitoring of the Treasurer's Investment Portfolio for the Quarter Ended September 30, 2018, which stated that no instances of noncompliance were identified.

CREDIT UPDATE

During January, there were three changes to the Treasurer's Approved Issuer List. Three issuers were removed from the approved issuer list as the 2019 IPS now requires a minimum issuer credit rating of AA. An ongoing credit analysis of all issuers owned in the Investment Pools is reviewed on a daily, monthly, quarterly, and annual basis.

I certify that this report includes all pooled and non-pooled investments as of January, 2019 and is in conformity with all State laws and the IPS approved by the Board of Supervisors on December 18, 2018. The investments herein shown provide adequate liquidity to meet the next six months of projected cash flow requirements. I am available if you have any questions on this Investment Report at (714) 834-7625.

Enclosures

cc: Distribution List

ORANGE COUNTY TREASURER-TAX COLLECTOR

SUMMARY OF INVESTMENT DATA

INVESTMENT TRENDS

	JANUARY 2019	DECEMBER 2018	INCREASE (DECREASE)	NET CHANGE %	JANUARY 2018	INCREASE (DECREASE)	NET CHANGE %
<u>Orange County Investment Pool (OCIP)</u>							
End Of Month Market Value ^{1,2}	\$ 4,313,538,679	\$ 5,008,408,848	\$ (694,870,169)	-13.87%	\$ 4,457,414,185	\$ (143,875,506)	-3.23%
End Of Month Book Value ^{1,2}	\$ 4,318,262,708	\$ 5,016,509,479	\$ (698,246,771)	-13.92%	\$ 4,476,864,650	\$ (158,601,942)	-3.54%
Monthly Average Balance ²	\$ 4,437,220,194	\$ 5,430,555,655	\$ (993,335,461)	-18.29%	\$ 4,674,719,400	\$ (237,499,206)	-5.08%
Year-To-Date Average Balance	\$ 4,278,072,653	\$ 4,251,548,062	\$ 26,524,590	0.62%	\$ 4,308,406,073	\$ (30,333,421)	-0.70%
Monthly Accrued Earnings ³	\$ 7,951,101	\$ 9,272,010	\$ (1,320,909)	-14.25%	\$ 4,885,553	\$ 3,065,548	62.75%
Monthly Net Yield ³	2.05%	1.94%	0.11%	5.47%	1.17%	0.88%	74.79%
Year-To-Date Net Yield ³	1.81%	1.77%	0.04%	2.35%	1.08%	0.73%	67.43%
Annual Estimated Gross Yield ⁴	1.87%	1.87%	0.00%	0.00%	1.28%	0.59%	45.80%
Weighted Average Maturity (WAM) ⁵	329	275	54	19.64%	321	8	2.49%
<u>Orange County Educational Investment Pool (OCEIP)</u>							
End Of Month Market Value ¹	\$ 5,275,395,442	\$ 5,370,720,634	\$ (95,325,192)	-1.77%	\$ 4,977,732,065	\$ 297,663,377	5.98%
End Of Month Book Value ¹	\$ 5,281,247,329	\$ 5,380,553,768	\$ (99,306,439)	-1.85%	\$ 4,998,258,865	\$ 282,988,464	5.66%
Monthly Average Balance ²	\$ 5,301,132,480	\$ 4,752,884,924	\$ 548,247,556	11.54%	\$ 5,115,984,472	\$ 185,148,008	3.62%
Year-To-Date Average Balance	\$ 4,725,813,634	\$ 4,629,927,160	\$ 95,886,474	2.07%	\$ 4,482,864,369	\$ 242,949,265	5.42%
Monthly Accrued Earnings ³	\$ 9,741,458	\$ 8,370,364	\$ 1,371,094	16.38%	\$ 5,460,733	\$ 4,280,726	78.39%
Monthly Net Yield ³	2.08%	1.99%	0.09%	4.63%	1.18%	0.90%	76.19%
Year-To-Date Net Yield ³	1.84%	1.79%	0.05%	2.61%	1.08%	0.76%	70.25%
Annual Estimated Gross Yield ⁴	1.87%	1.87%	0.00%	0.00%	1.30%	0.57%	44.13%
Weighted Average Maturity (WAM)	323	306	17	5.56%	302	21	6.87%

¹ Market values provided by Bloomberg and Northern Trust. The OCIP and OCEIP market values are slightly lower than book value due to the eight Federal Reserve short-term rate increases totaling 2.00% since November 2016, but both have a net asset value of 1.00 and have sufficient liquidity to meet projected cash flow needs.

² In January 2019, OCIP End Of Month Market Value, Book Value, and the Monthly Average Balance were lower than December 2018 primarily due to distributions of secured property tax receipts. The January OCEIP Monthly Average Balance increased from prior month primarily due to the receipt of secured property revenue of \$961 million in mid December and another \$285 million in early January.

³ In January 2019, the OCIP Monthly Accrued Earnings decreased from prior month primarily due to a lower monthly average pool balance resulting from distributions of secured property tax receipts. The OCEIP Monthly Accrued Earnings were higher than December 2018 primarily due to the higher monthly average pool balance from incoming tax receipts. The OCIP and OCEIP Monthly Accrued Earnings, Monthly Net Yields and Year-To-Date Net Yields were higher than the prior year primarily due to the eight Federal Reserve short-term rate increases totaling 2.00% since November 2016.

⁴ The OCIP and OCEIP annual estimated gross yields for January 2018 are reported at the actual annual gross yields for FY 17/18, and their annual estimated gross yields for January 2019 are reported at the forecasted gross yield of 1.87%. The OCIP and OCEIP annual estimated gross yields for FY 18/19 are higher than FY 17/18 yields of 1.28% and 1.30% respectively, primarily due to the eight Federal Reserve short-term rate increases totaling 2.00% since November 2016.

⁵ In January 2019, OCIP WAM was higher than in December 2018 primarily due to a temporary decrease in shorter-term maturities related to December receipt of secured property tax being distributed to County Agencies, Cities, and School and Community College Districts in January.

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH ENDED: JANUARY 31, 2019

INVESTMENT STATISTICS - By Investment Pool ⁽¹⁾						
DESCRIPTION	CURRENT BALANCES		Average Days to Maturity	Daily Yield as of 1/31/2019	MONTHLY Gross Yield	Current NAV ⁽⁴⁾
<u>COMBINED POOL BALANCES</u> (includes the Extended Fund)						
	MARKET Value	\$ 4,313,538,679	329	2.19%	2.10%	1.00
	COST (Capital)	\$ 4,314,755,909				
	MONTHLY AVG Balance	\$ 4,437,220,194				
	BOOK Value	\$ 4,318,262,708				
Orange County Investment Pool (OCIP)						
Orange County Educational Investment Pool (OCEIP)						
	MARKET Value	\$ 5,275,395,442	323	2.19%	2.14%	1.00
	COST (Capital)	\$ 5,276,904,292				
	MONTHLY AVG Balance	\$ 5,301,132,480				
	BOOK Value	\$ 5,281,247,329				
INVESTMENT STATISTICS - Non-Pooled Investments ⁽²⁾						
DESCRIPTION	CURRENT BALANCE		INVESTMENT BALANCES AT COST			
Specific Investment						
Funds:	MARKET Value	\$ 106,561,019	John Wayne Airport Investment Fund			51,564,469
283, FVSD, CCCD	COST (Capital)	\$ 106,957,368	Fountain Valley School District Fund 40			34,790,770
	MONTHLY AVG Balance	\$ 106,868,055	CCCD Series 2017E Bonds			20,602,129
	BOOK Value	\$ 106,839,362				
						\$ 106,957,368
MONTH END TOTALS						
INVESTMENTS & CASH			INVESTMENTS & CASH			
<u>COUNTY MONEY MARKET FUND (OCMMF)</u>						
County Money Market Fund	\$	727,676,102	OCIP			\$4,336,336,926
County Cash & Cash Equivalent		21,581,017	OCEIP			5,281,576,410
<u>EXTENDED FUND</u>		7,848,776,370	Specific Investment Funds			106,957,368
<u>EDUCATIONAL MONEY MARKET FUND (OCEMMF)</u>			Non-Pooled Cash & Cash Equivalent			20,177,289
Educational Money Market Fund		1,015,207,729				
Educational Cash & Cash Equivalent		4,672,118				
<u>NON-POOLED INVESTMENTS</u>						
Non-Pooled Investments @ Cost		106,957,368				
Non-Pooled Cash & Cash Equivalent		20,177,289				
	\$	9,745,047,993				\$9,745,047,993
KEY POOL STATISTICS						
INTEREST RATE YIELD			WEIGHTED AVERAGE MATURITY (WAM)			
OCMMF - MONTHLY GROSS YIELD		1.97%	OCMMF			38
OCEMMF - MONTHLY GROSS YIELD		2.26%	OCEMMF			46
JOHN WAYNE AIRPORT - MONTHLY GROSS YIELD		2.38%	JOHN WAYNE AIRPORT WAM			88
OCIP - YTD NET YIELD ⁽³⁾		1.81%	LGIP WAM (Standard & Poors)			35
OCEIP - YTD NET YIELD ⁽³⁾		1.84%				
90-DAY T-BILL YIELD - MONTHLY AVERAGE		2.40%				

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH ENDED: JANUARY 31, 2019

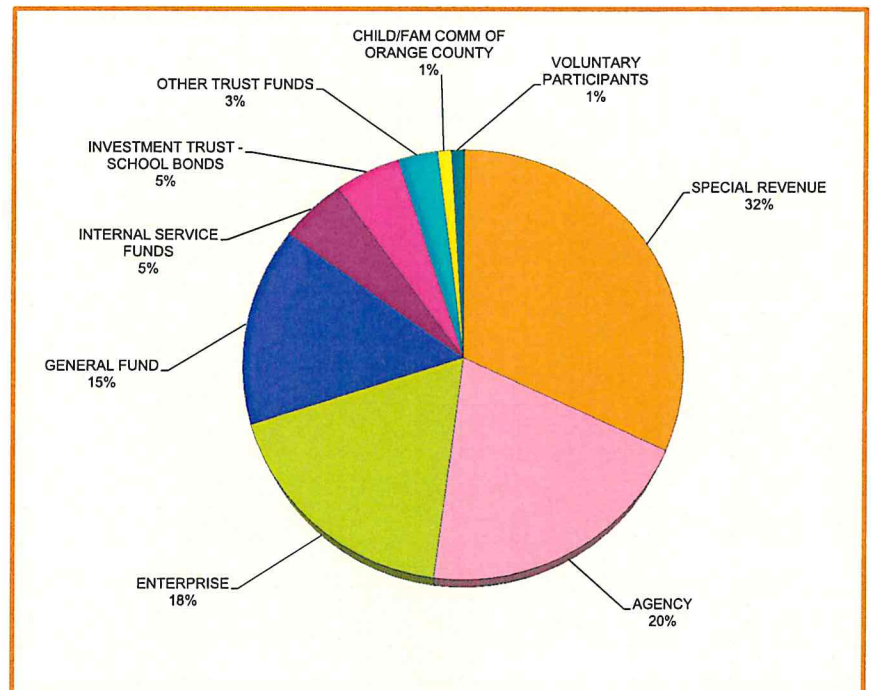
INVESTMENT STATISTICS - By Investment Fund

DESCRIPTION	CURRENT BALANCES	Average Days to Maturity	Daily Yield as of 1/31/2019	MONTHLY Gross Yield	Current NAV ⁽⁴⁾
<u>County Money Market Fund (OCMMF)</u>	MARKET Value \$ 729,137,854 COST (Capital) \$ 727,676,102 MONTHLY AVG Balance \$ 846,582,639 BOOK Value \$ 728,853,525	38	2.36%	1.97%	1.00
<u>Educational Money Market Fund (OCEMMF)</u>	MARKET Value \$ 1,016,881,693 COST (Capital) \$ 1,015,207,729 MONTHLY AVG Balance \$ 989,978,785 BOOK Value \$ 1,016,783,308	46	2.39%	2.26%	1.00
<u>Extended Fund</u>	MARKET Value \$ 7,842,914,574 COST (Capital) \$ 7,848,776,370 MONTHLY AVG Balance \$ 7,901,791,250 BOOK Value \$ 7,853,873,204	389	2.15%	2.14%	1.00
ALLOCATION OF EXTENDED FUND					
<u>Extended Fund</u> <i>OCIP Share</i>	MARKET Value \$ 3,584,400,825 COST (Capital) \$ 3,587,079,807 MONTHLY AVG Balance \$ 3,590,637,555 BOOK Value \$ 3,589,409,183	389	2.15%	2.14%	1.00
<i>OCEIP Share</i>	MARKET Value \$ 4,258,513,749 COST (Capital) \$ 4,261,696,563 MONTHLY AVG Balance \$ 4,311,153,695 BOOK Value \$ 4,264,464,021	389	2.15%	2.14%	1.00
<i>Duration</i>	1.04				

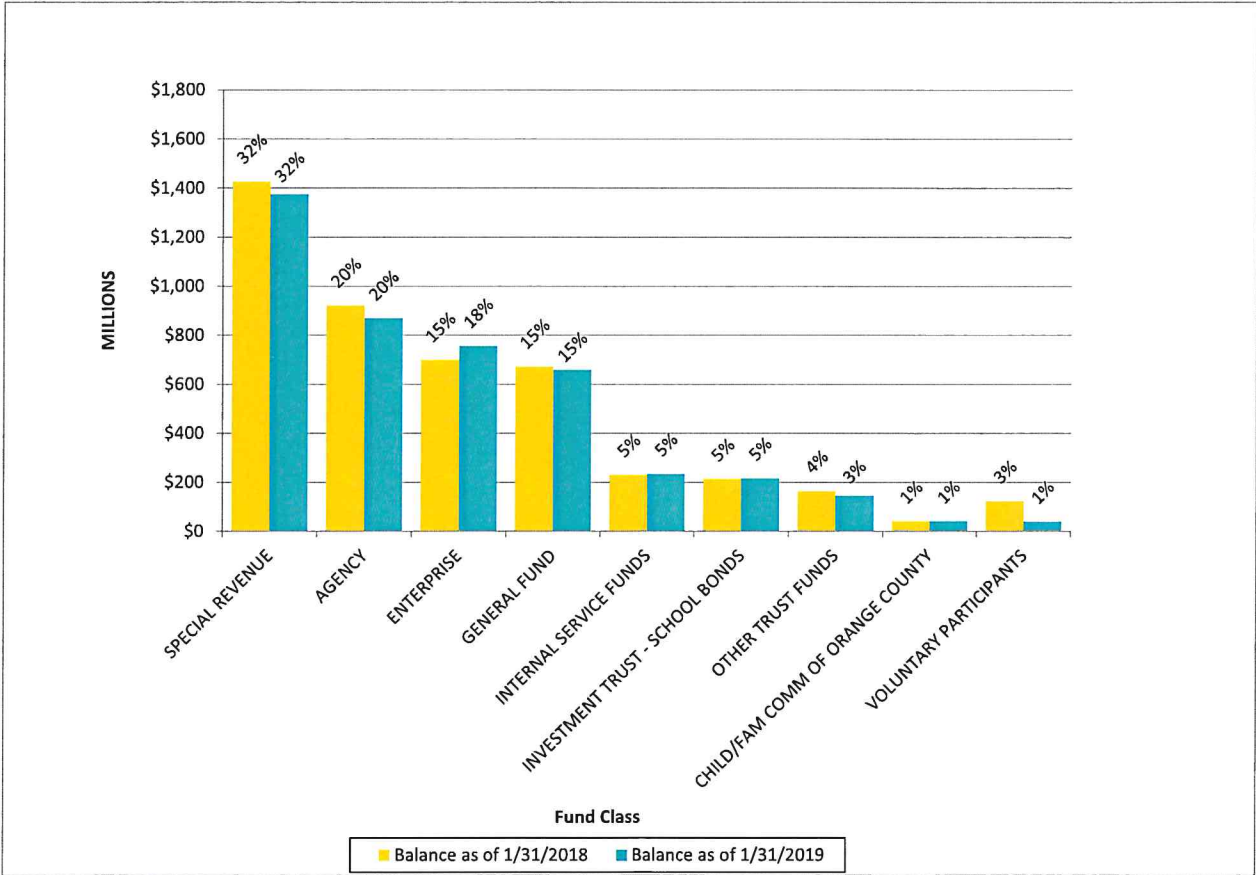
- (1) The Combined Pool Balances include the County and Educational Money Market Funds and their respective portions of the Extended Fund.
- (2) Specific non-pooled investments are reported in compliance with Government Code Section 53646 (b)(1). Detailed descriptions are included in the inventory listing in Section VII of this report.
- (3) The Net Yield differs from the Monthly Gross Yield as it includes the deduction of the Investment Administrative Fee.
- (4) Book Value is computed as Cost reduced by amortization of premium and increased by the accretion of discount of the Investment Portfolio. Net Asset Value (NAV) is equal to Market Value divided by Book Value.

**ORANGE COUNTY INVESTMENT POOL
COMPOSITION BY FUND
AS OF JANUARY 31, 2019**

FUNDS	BALANCE
SPECIAL REVENUE	\$ 1,375,475,942
AGENCY	868,888,143
ENTERPRISE	756,159,512
GENERAL FUND	658,665,208
INTERNAL SERVICE FUNDS	233,871,642
INVESTMENT TRUST - SCHOOL BONDS	216,466,697
OTHER TRUST FUNDS	145,739,919
CHILD/FAM COMM OF ORANGE COUNTY	40,898,682
VOLUNTARY PARTICIPANTS	40,171,182
TOTAL	\$ 4,336,336,927

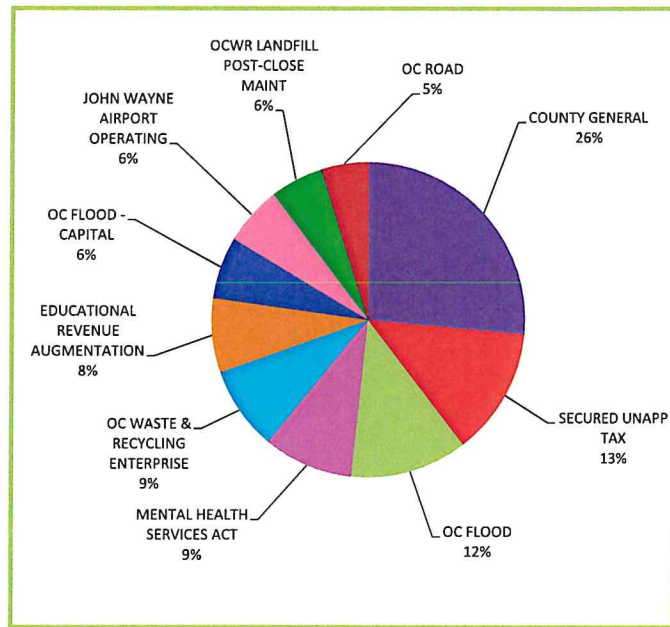


**ORANGE COUNTY INVESTMENT POOL
COMPOSITION BY FUND
AS OF JANUARY 31**



**ORANGE COUNTY INVESTMENT POOL
TOP TEN POOL PARTICIPANTS
AS OF JANUARY 31, 2019**

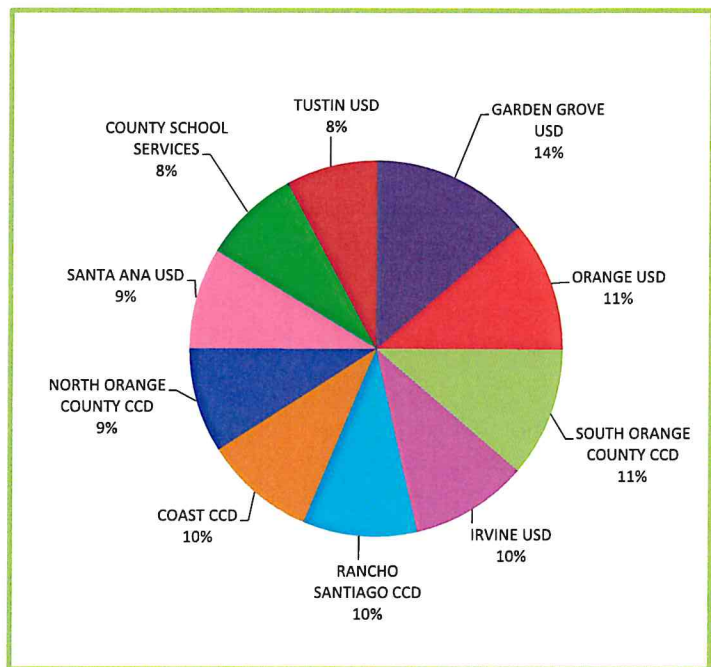
FUND #	FUND NAME	BALANCE
100	COUNTY GENERAL	\$ 616,395,144
673	SECURED UNAPP TAX	304,298,425
400	OC FLOOD	282,888,125
13Y	MENTAL HEALTH SERVICES ACT	216,308,023
299	OC WASTE & RECYCLING ENTERPRISE	201,947,326
664	EDUCATIONAL REVENUE AUGMENTATION	177,550,913
404	OC FLOOD - CAPITAL	149,044,171
280	JOHN WAYNE AIRPORT OPERATING	140,734,263
279	OCWR LANDFILL POST-CLOSE MAINT	128,368,877
115	OC ROAD	113,586,460
TOTAL		\$ 2,331,121,727



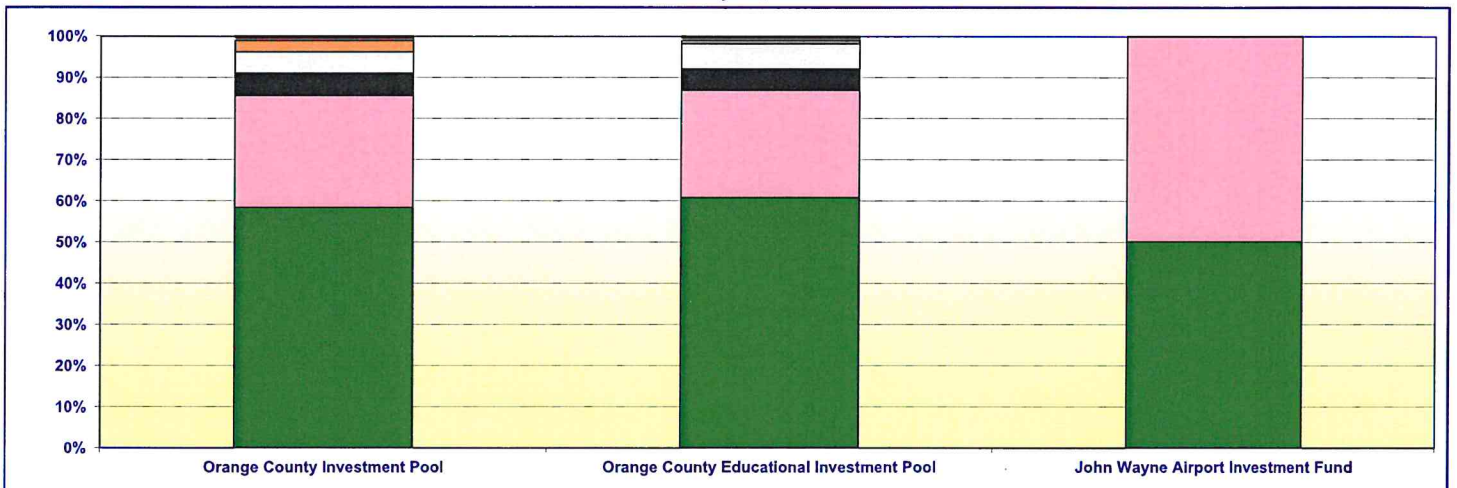
**ORANGE COUNTY EDUCATIONAL INVESTMENT POOL
TOP TEN POOL PARTICIPANTS
AS OF JANUARY 31, 2019**

DISTRICT #	SCHOOL DISTRICT	BALANCE ⁽¹⁾
72	GARDEN GROVE USD	\$ 446,336,542 (1)
80	ORANGE USD	367,379,629 (1)
96	SOUTH ORANGE COUNTY CCD	362,559,296
75	IRVINE USD	330,358,941 (1)
92	RANCHO SANTIAGO CCD	323,722,765 (1)
90	COAST CCD	312,466,946 (1)
88	NORTH ORANGE COUNTY CCD	294,155,521 (1)
84	SANTA ANA USD	282,168,231 (1)
94	COUNTY SCHOOL SERVICES	272,367,689
87	TUSTIN USD	257,513,138 (1)
TOTAL		<u>\$ 3,249,028,698</u>

(1) BALANCES INCLUDE GENERAL OBLIGATION BOND PROCEEDS



ORANGE COUNTY TREASURER - TAX COLLECTOR
BY INVESTMENT TYPE AT MARKET VALUE - By Percentage Holdings
January 31, 2019

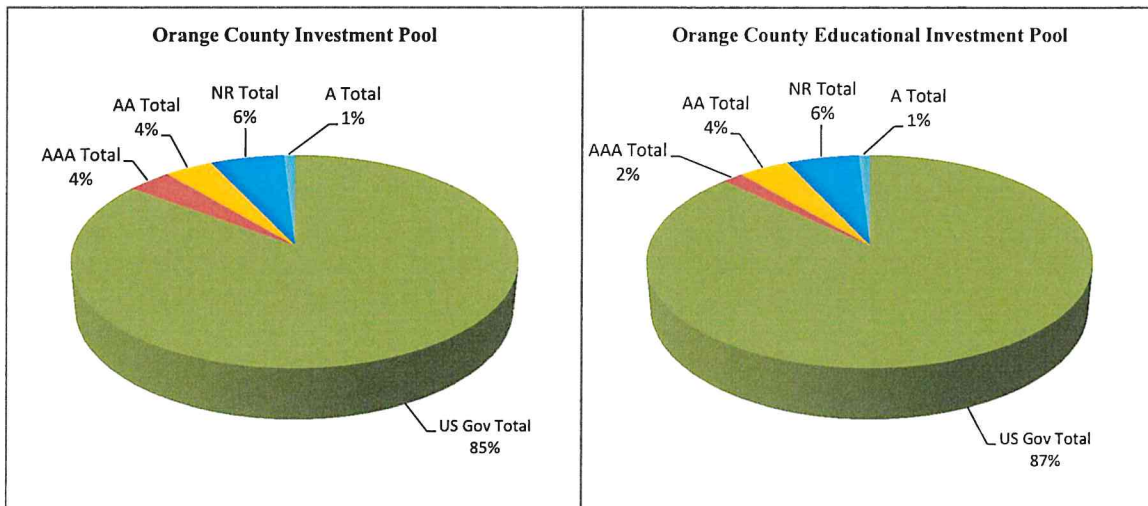


Orange County Investment Pool			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 2,518,058		58.38%
U. S. TREASURIES	1,170,502		27.14%
MUNICIPAL DEBT	238,123		5.51%
MEDIUM-TERM NOTES	217,831		5.05%
MONEY MARKET MUTUAL FUNDS	121,134		2.81%
LOCAL AGENCY INVESTMENT FUND	29,636		0.69%
CERTIFICATES OF DEPOSIT	18,255		0.42%
	<u>\$ 4,313,539</u>		<u>100.00%</u>

Orange County Educational Investment Pool			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 3,209,135		60.84%
U. S. TREASURIES	1,367,074		25.91%
MUNICIPAL DEBT	282,906		5.36%
MEDIUM-TERM NOTES	315,418		5.98%
MONEY MARKET MUTUAL FUNDS	43,964		0.83%
LOCAL AGENCY INVESTMENT FUND	35,210		0.67%
CERTIFICATES OF DEPOSIT	21,688		0.41%
	<u>\$ 5,275,395</u>		<u>100.00%</u>

John Wayne Airport Investment Fund			
	In Thousands		%
U. S. GOVERNMENT AGENCIES	\$ 25,900		50.13%
U. S. TREASURIES	25,652		49.65%
MONEY MARKET MUTUAL FUNDS	113		0.22%
	<u>\$ 51,665</u>		<u>100.00%</u>

ORANGE COUNTY TREASURER - TAX COLLECTOR
CREDIT QUALITY BY MARKET VALUE
 January 31, 2019



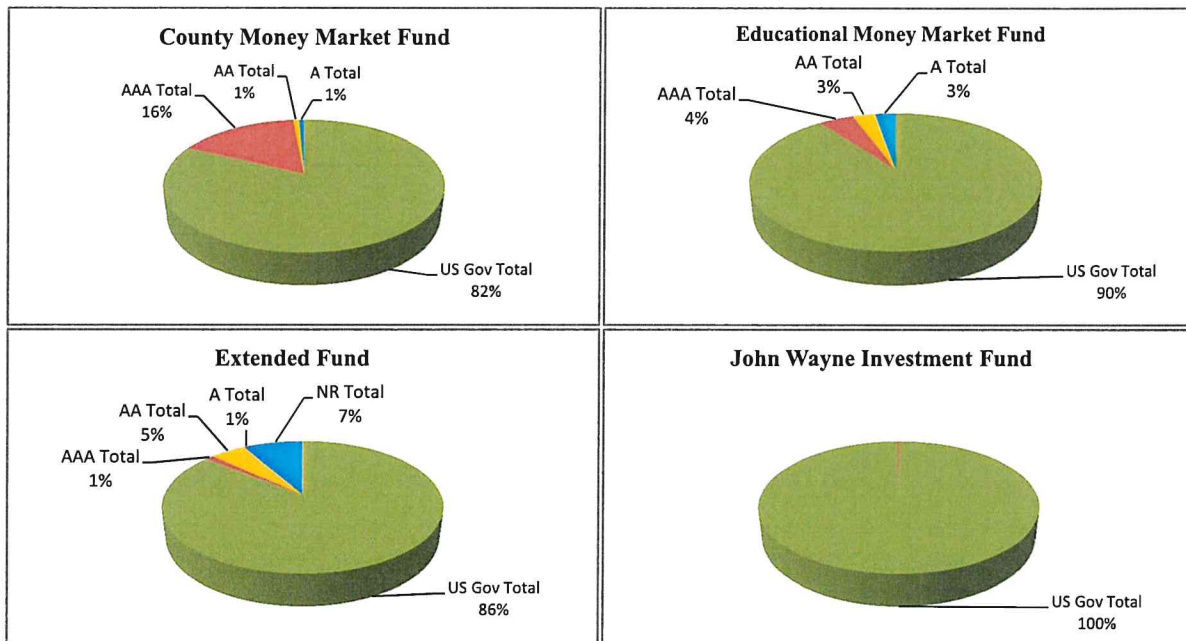
US GOV Includes Agency & Treasury Debt

AA includes AA+, AA-, & AA

A includes A+, A-, & A

NR Includes LAIF and Orange County Pension Obligation Bonds

ORANGE COUNTY TREASURER - TAX COLLECTOR
CREDIT QUALITY BY MARKET VALUE
January 31, 2019



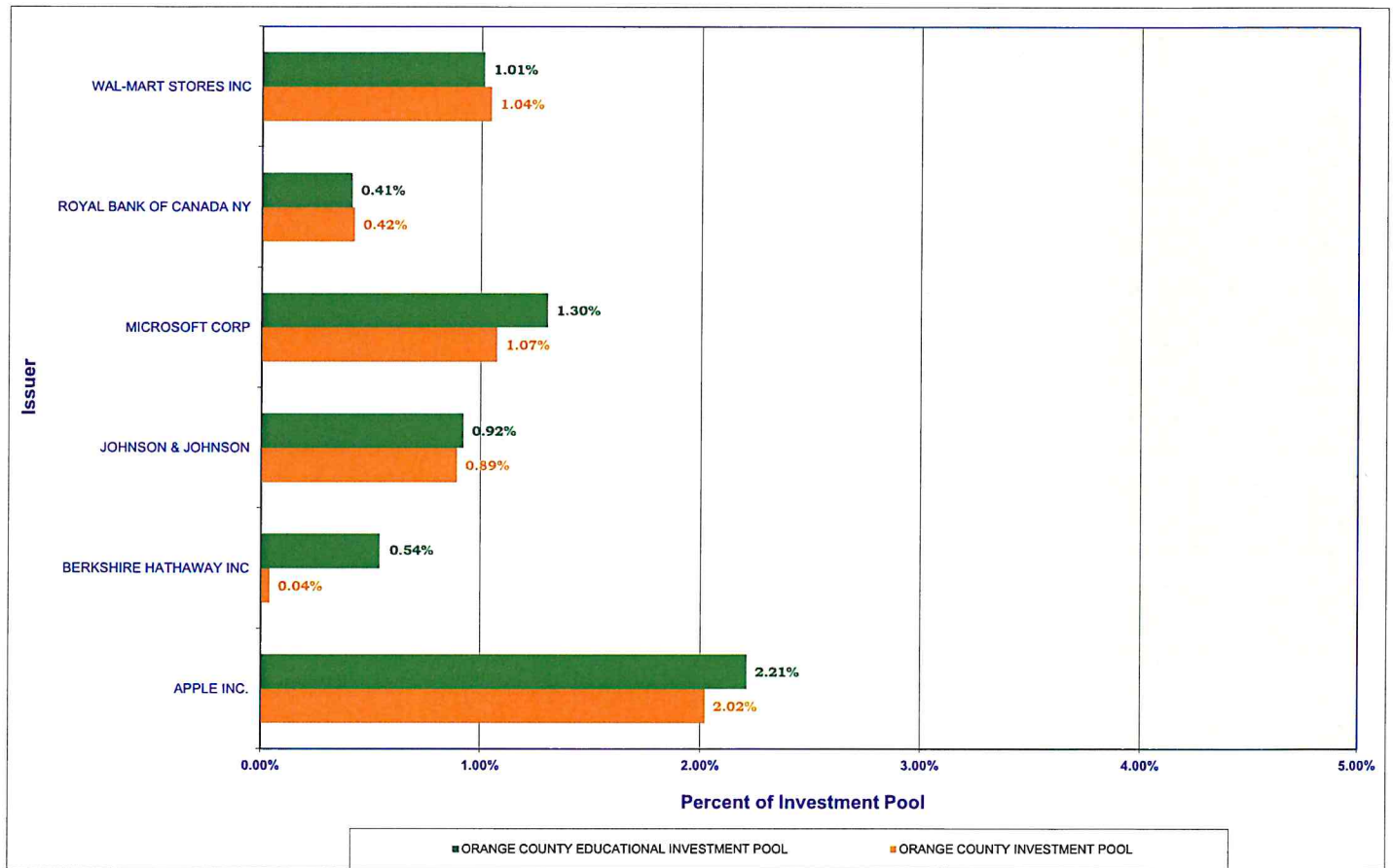
US GOV Includes Agency & Treasury Debt

AA includes AA+, AA-, & AA

A includes A+, A-, & A

NR Includes LAIF and Orange County Pension Obligation Bonds

ORANGE COUNTY TREASURER - TAX COLLECTOR
MEDIUM-TERM NOTES / CERTIFICATES OF DEPOSIT
ISSUER CONCENTRATION-By Investment Pool
January 31, 2019



ORANGE COUNTY TREASURER-TAX COLLECTOR
APPROVED ISSUER LIST - OCIP, OCEIP, and JWA
January 31, 2019

ISSUER	S/T RATINGS			L/T RATINGS		
	S&P	Moody's	Fitch	S&P	Moody's	Fitch
U.S. TREASURY SECURITIES						
U.S. GOVERNMENT	A-1+	P-1	F1+	AA+	Aaa	AAA
U.S. GOVERNMENT AGENCY SECURITIES						
FEDERAL NATIONAL MORTGAGE ASSOCIATION	A-1+	P-1	F1+	AA+	Aaa	AAA
FEDERAL HOME LOAN MORTGAGE CORPORATION	A-1+	P-1	F1+	AA+	Aaa	AAA
FEDERAL HOME LOAN BANKS	A-1+	P-1	NR	AA+	Aaa	NR
FEDERAL FARM CREDIT BANKS	A-1+	P-1	F1+	AA+	Aaa	AAA
MEDIUM-TERM NOTES						
APPLE INC	A-1+	P-1	NR	AA+	Aa1	NR
JOHNSON & JOHNSON	A-1+	P-1	F1+	AAA	Aaa	AAA
MICROSOFT CORPORATION	A-1+	P-1	F1+	AAA	Aaa	AA+
ISSUERS ON HOLD						
TORONTO DOMINION BANK NY (MARCH, 2017) *	A-1+	P-1	F1+	AA-	Aa3	AA-
WALMART INC (JULY, 2018)**	A-1+	P-1	F1+	AA	Aa2	AA
MUNICIPAL BONDS						
ORANGE CNTY CA PENSION OBLG 2018 A	NR	NR	NR	NR	NR	NR
ORANGE CNTY CA PENSION OBLG 2019 A	NR	NR	NR	NR	NR	NR
STATE POOL - LOCAL AGENCY INVESTMENT FUND						
LOCAL AGENCY INVESTMENT FUND	NR	NR	NR	NR	NR	NR
MONEY MARKET MUTUAL FUNDS ***						
NAME OF FUND	S & P		Moody's		Fitch	
INVESCO GOVERNMENT & AGENCY SHORT-TERM INVESTMENTS TRUST (AIM)	AAAm		Aaa-mf		AAAmf	
GOLDMAN SACHS FINANCIAL SQUARE GOVT FUND	AAAm		Aaa-mf		NR	
MORGAN STANLEY INSTITUTIONAL LIQUIDITY FUNDS - GOVT	AAAm		Aaa-mf		NR	
NORTHERN INSTITUTIONAL TREASURY PORTFOLIO	AAAm		NR		NR	

* Moody's downgraded its L/T issuer credit rating from Aa2 to A2 on September 24, 2018 and kept the issuer rating Outlook on Stable.

** S&P placed its L/T issuer credit rating on Negative Outlook (S&P - May 9, 2018).

*** All money market funds are institutional money market funds investing in debt issued or guaranteed by the U.S. Government and its agencies.

ISSUERS - NO LONGER ON APPROVED ISSUER LIST ****						
ROYAL BANK OF CANADA NY (JULY, 2016)	A-1+	P-1	F1+	AA-	A2	AA
BERKSHIRE HATHAWAY INC	A-1+	P-1	NR	AA	Aa2	A+
BERKSHIRE HATHAWAY FINANCE	NR	NR	NR	NR	Aa2	A+

**** Royal Bank of Canada, Berkshire Hathaway, and Berkshire Hathaway Finance were removed from the Approved Issuer List as the 2019 Investment Policy Statement now requires a minimum issuer credit rating of AA. Current holdings of these two issuers are less than \$75 million as of January 31, 2019.

**Orange County Treasurer-Tax Collector
Changes in Approved Issuer's List
For the Month Ended January 31, 2019**

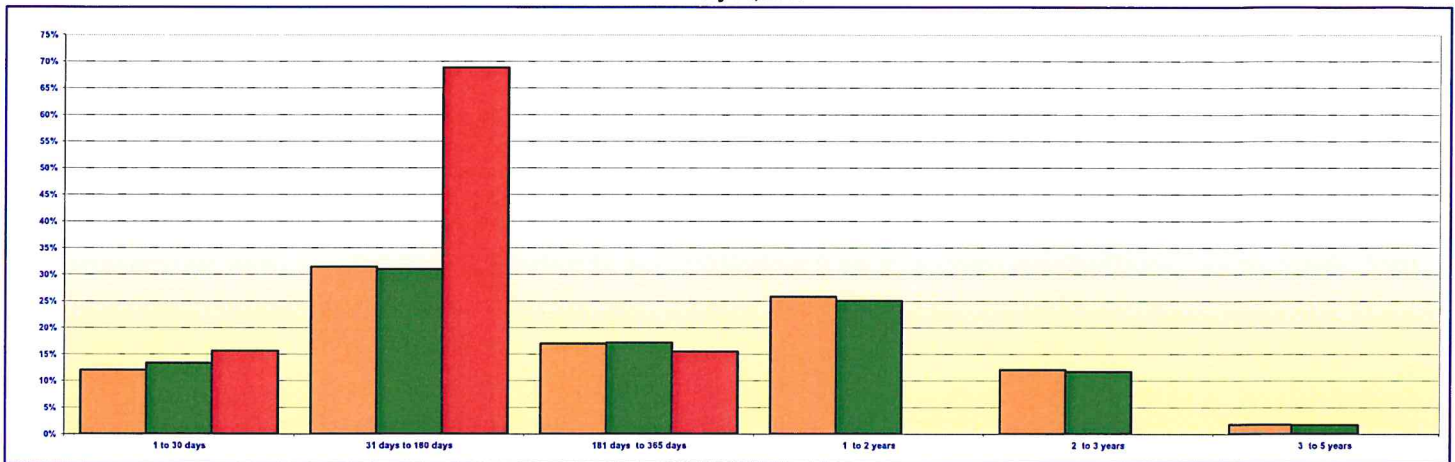
During January, there were three changes to the Treasurer's Approved Issuer List.

- On January 1, 2019, both Berkshire Hathaway Inc. and Berkshire Hathaway Finance were removed from the Approved Issuer List as required by the 2019 Investment Policy Statement (IPS) credit rating requirement, which now requires a minimum issuer credit rating of AA.
- On January 1, 2019, Royal Bank of Canada was removed from the Approved Issuer List as required by the 2019 IPS credit rating requirement, which now requires a minimum issuer credit rating of AA.

An ongoing credit analysis of all issuers owned in the Investment Pools is reviewed on a daily, monthly, quarterly, and annual basis.

**ORANGE COUNTY TREASURER - TAX COLLECTOR
MATURITIES DISTRIBUTION**

January 31, 2019



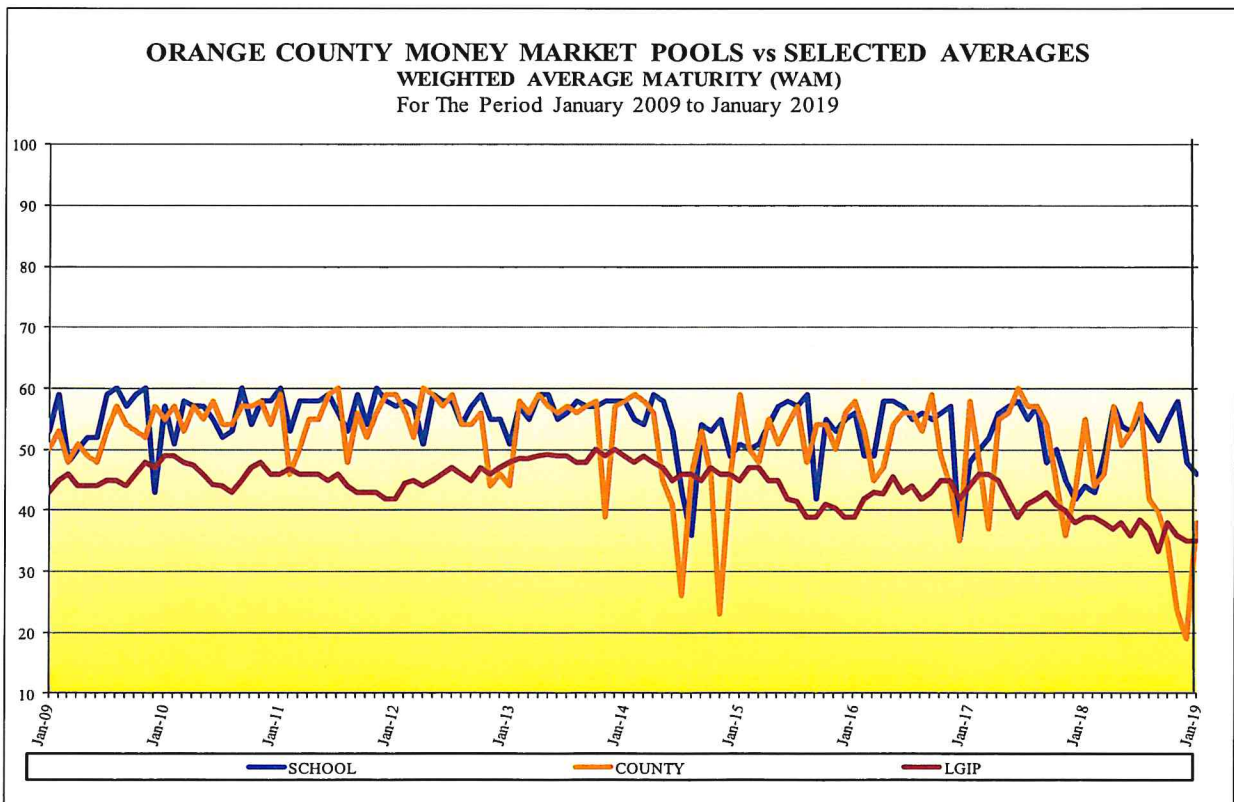
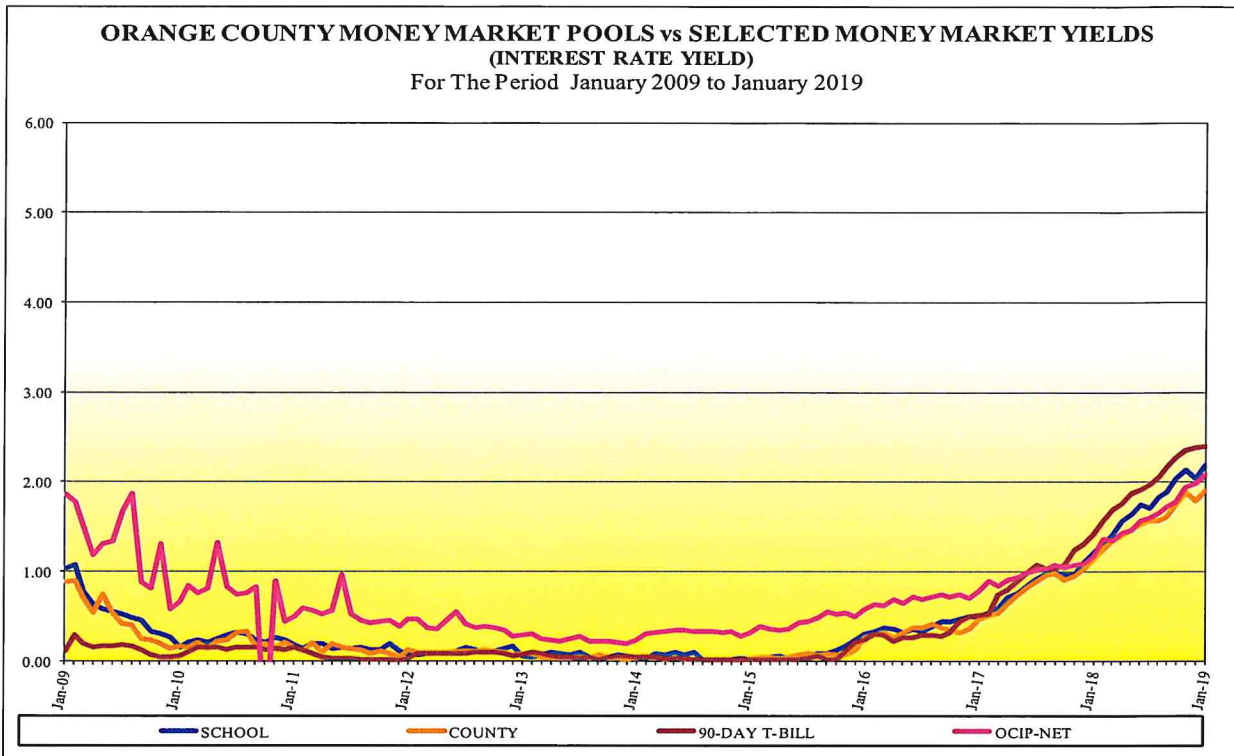
ORANGE COUNTY INVESTMENT POOL		
	In Thousands ⁽¹⁾⁽²⁾	%
1 TO 30 DAYS	\$ 519,302	12.01%
31 TO 180 DAYS	1,358,384	31.41%
181 TO 365 DAYS	733,941	16.97%
1 YEAR TO 2 YEARS	1,115,799	25.80%
2 YEARS TO 3 YEARS	521,765	12.06%
3 YEARS TO 5 YEARS	75,891	1.75%
TOTAL	\$ 4,325,082	100.00%

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL		
	In Thousands ⁽¹⁾⁽²⁾	%
1 TO 30 DAYS	\$ 705,045	13.33%
31 TO 180 DAYS	1,638,372	30.98%
181 TO 365 DAYS	909,931	17.20%
1 YEAR TO 2 YEARS	1,325,645	25.07%
2 YEARS TO 3 YEARS	619,892	11.72%
3 YEARS TO 5 YEARS	90,164	1.70%
TOTAL	\$ 5,289,049	100.00%

JOHN WAYNE AIRPORT INVESTMENT FUND		
	In Thousands ⁽¹⁾⁽²⁾	%
1 TO 30 DAYS	\$ 8,113	15.65%
31 TO 180 DAYS	35,675	68.83%
181 TO 365 DAYS	8,045	15.52%
TOTAL	\$ 51,833	100.00%

(1) Maturity limits are calculated using face value.

(2) Floating Rate Notes are deemed to have a maturity date equal to their next interest reset date. At 1/31/2019, Floating Rate Notes comprise 1.31%, 2.11%, and 0.00% of the Orange County Investment Pool, Orange County Educational Investment Pool, and JWA Investment Fund respectively.



•For the Month Ended January 31, 2019, S&P LGIP – 2.36; S&P LGIP WAM -35; 90-Day T-Bill – 2.40; OCIP – Net – 2.05

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL YIELDS
February 1, 2018 - January 31, 2019

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	GROSS AVERAGE YIELD FOR MONTH	MONTH END WAM
<i>Current Month January 2019</i>				
OCMMF	\$ 729,137,854	\$ 1,417,661	1.97%	38
OCEMMF	\$ 1,016,881,693	\$ 1,897,863	2.26%	46
Extended Fund	\$ 7,842,914,574	\$ 14,377,035	2.14%	389
<i>December 2018</i>				
OCMMF	\$ 1,321,837,296	\$ 2,309,322	1.86%	19
OCEMMF	\$ 1,024,704,481	\$ 1,562,262	2.11%	48
Extended Fund	\$ 8,032,587,705	\$ 13,770,790	2.07%	367
<i>November 2018</i>				
OCMMF	\$ 1,359,045,595	\$ 1,894,822	1.95%	24
OCEMMF	\$ 947,430,723	\$ 1,566,598	2.20%	58
Extended Fund	\$ 6,985,523,091	\$ 11,064,795	1.99%	430
<i>October 2018</i>				
OCMMF	\$ 1,261,626,895	\$ 1,497,056	1.81%	35
OCEMMF	\$ 806,665,529	\$ 1,627,455	2.11%	55
Extended Fund	\$ 6,608,660,258	\$ 10,301,655	1.82%	444
OC Extended Fund B	\$ -	\$ 87	N/A	N/A
<i>September 2018</i>				
OCMMF	\$ 623,483,218	\$ 825,257	1.68%	40
OCEMMF	\$ 964,913,807	\$ 1,694,095	1.95%	51
Extended Fund	\$ 6,595,008,880	\$ 9,646,462	1.77%	420
OC Extended Fund B	\$ -	\$ 174,919	N/A	N/A
<i>August 2018</i>				
OCMMF	\$ 659,580,340	\$ 768,838	1.64%	42
OCEMMF	\$ 1,135,219,335	\$ 2,041,031	1.90%	54
Extended Fund	\$ 6,595,429,549	\$ 9,597,798	1.69%	414
<i>July 2018</i>				
OCMMF	\$ 519,462,662	\$ 949,885	1.64%	58
OCEMMF	\$ 1,430,530,269	\$ 2,265,416	1.77%	56
Extended Fund	\$ 6,644,200,611	\$ 9,464,408	1.65%	432
<i>June 2018</i>				
OCMMF	\$ 763,523,217	\$ 1,395,560	1.60%	53
OCEMMF	\$ 1,586,960,674	\$ 2,142,715	1.81%	53
Extended Fund	\$ 6,600,606,705	\$ 8,820,686	1.60%	419
<i>May 2018</i>				
OCMMF	\$ 1,271,767,146	\$ 1,895,963	1.54%	51
OCEMMF	\$ 1,507,610,060	\$ 2,273,000	1.71%	54
Extended Fund	\$ 6,615,441,734	\$ 8,444,349	1.48%	414
<i>April 2018</i>				
OCMMF	\$ 1,677,026,990	\$ 2,621,771	1.47%	57
OCEMMF	\$ 1,715,592,154	\$ 1,887,341	1.64%	57
Extended Fund	\$ 6,661,112,140	\$ 8,045,347	1.46%	397
<i>March 2018</i>				
OCMMF	\$ 1,466,459,327	\$ 1,551,676	1.41%	46
OCEMMF	\$ 1,149,359,827	\$ 1,585,016	1.48%	49
Extended Fund	\$ 6,652,243,109	\$ 7,957,780	1.40%	415
<i>February 2018</i>				
OCMMF	\$ 1,396,683,700	\$ 1,284,889	1.32%	44
OCEMMF	\$ 1,273,494,829	\$ 1,464,904	1.37%	43
Extended Fund	\$ 6,647,720,511	\$ 7,473,044	1.46%	428
Fiscal Year July 1, 2018 - June 30, 2019	Average Month End Market Value Balance	YTD Interest Income	YTD Gross Yield	YTD Average
OCIP	\$ 4,270,791,068	\$ 47,204,734	1.87%	334
OCEIP	\$ 4,744,186,699	\$ 53,335,768	1.90%	334
OC Extended Fund B	\$ -	\$ 175,006	N/A	N/A

ORANGE COUNTY TREASURER-TAX COLLECTOR

CASH AVAILABILITY PROJECTION

FOR THE SIX MONTHS ENDING JULY 31, 2019

Government Code Section 53646 (b) (3), effective on January 1, 1996, requires the Treasurer-Tax Collector to include a statement in the investment report, denoting the ability of the Orange County Investment Pool (OCIP) and the Orange County Educational Investment Pool (OCEIP) to meet their expenditure requirements for the next six months.

The OCIP and OCEIP consist of funds in the treasury deposited by various entities required to do so by statute, as well as those entities voluntarily depositing monies in accordance with Government Code Section 53684.

The Treasurer-Tax Collector is required to disburse monies placed in the treasury as directed by the Auditor-Controller and the Department of Education, except for the making of legal investments, to the extent funds are transferred to one or more clearing funds in accordance with Government Code Section 29808.

The Treasurer-Tax Collector, in her projection of cash availability to disburse funds as directed by the Auditor-Controller and the Department of Education, is primarily relying on historical trends involving deposits and withdrawals and known future cash flows. No representation is made as to an individual depositor's ability to meet their anticipated expenditures with anticipated revenues.

The Cash Availability Projection for the six months ending July 31, 2019, indicates the ability of the pools to meet projected cash flow requirements. However, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected and those differences may be material.

ORANGE COUNTY INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
January 2019 - Ending Cash				\$ 21,581,017
February	\$ 489,941,844	\$ 450,777,619	\$ 327,624,141	634,676,339
March	401,024,509	736,370,267	639,089,244	1,132,981,871
April	700,310,106	2,239,821,919	1,852,325,228	2,220,788,668
May	190,618,127	333,476,285	815,312,941	1,929,570,139
June	34,813,933	309,109,230	719,338,969	1,554,154,333
July	171,909,655	323,263,727	712,600,428	1,336,727,287

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL				
Month	Investment Maturities	Projected Deposits	Projected Disbursements	Cumulative Available Cash
January 2019 - Ending Cash				\$ 4,672,118
February	\$ 665,602,044	\$ 332,125,850	\$ 705,327,935	297,072,077
March	515,332,230	535,053,767	717,707,481	629,750,593
April	739,547,869	1,071,637,286	735,278,479	1,705,657,269
May	278,458,408	383,682,748	715,333,708	1,652,464,717
June	58,730,100	579,401,237	665,332,626	1,625,263,428
July	205,495,916	249,077,007	547,872,278	1,531,964,073

ORANGE COUNTY TREASURER-TAX COLLECTOR
STATEMENT OF ACCOUNTABILITY
For the Month Ended January 31, 2019

	<u>Month</u>
Treasurer's Accountability at the Beginning of the Period:	<u>\$10,521,409,361</u>
Cash Receipts:	
County	594,578,384
School and Community College Districts	840,570,846
Total Cash Receipts	<u>1,435,149,230</u>
Cash Disbursements:	
County	1,274,222,653
School and Community College Districts	936,057,024
Total Cash Disbursements	<u>2,210,279,677</u>
Net Change in Cost Value of Pooled Assets	<u>(775,130,447)</u>
Net Increase in Non-Pooled Investments	176,252
Net (Decrease) in Non-Pooled Cash	<u>(1,407,173)</u>
Treasurer's Accountability at the End of the Period:	<u>\$ 9,745,047,993</u>
Assets in the Treasury at the End of the Period (at Cost Value):	
Pooled Investments:	
Orange County Investment Pool	\$ 4,314,755,909
Orange County Educational Investment Pool	5,276,904,292
Total Pooled Investments	<u>9,591,660,201</u>
Non-Pooled Investments:	
Non-Pooled Investments - John Wayne Airport	51,564,469
Non-Pooled Investments - Fountain Valley School District Fund 40	34,790,770
Non-Pooled Investments - CCCD Series 2017E Bonds	20,602,129
Total Non-Pooled Investments	<u>106,957,368</u>
Cash and Cash Equivalent:	
Cash in banks - County	21,497,362
Cash in banks - Schools	4,672,118
Cash in banks - OC Sheriff	12,393,780
Cash in banks - John Wayne Airport	7,783,509
Cash - Other	83,655
Total Cash	<u>46,430,424</u>
Total Assets in the Treasury at the End of the Period:	<u>\$ 9,745,047,993</u>

**ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POLICY (IPS) COMPLIANCE SUMMARY
January 31, 2019**

Investment Policy (IPS) Guidelines		Orange County Money Market Fund		Extended Fund		Orange County Educational Money Market Fund		John Wayne Airport Investment Fund	
Diversification % Limit	Investment Type	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio	Market Value of Investments ⁽¹⁾	Percent of Portfolio
100%	U.S. Treasuries Securities	\$ 211,298,604	28.98%	\$ 2,098,802,817	26.76%	\$ 227,474,935	22.37%	\$ 25,652,046	49.65%
100%	U.S. Government Agency Securities (GSEs)	392,590,809	53.84%	4,650,666,466	59.30%	683,934,787	67.26%	25,899,956	50.13%
20%	Municipal Debt	-	0.00%	521,028,770	6.64%	-	0.00%	-	0.00%
20%	Medium-Term Notes	4,114,704	0.57%	467,626,473	5.96%	61,508,246	6.05%	-	0.00%
40%	Banker Acceptances	-	0.00%	-	0.00%	-	0.00%	-	0.00%
40%	Commercial Paper	-	0.00%	-	0.00%	-	0.00%	-	0.00%
20%	Negotiable Certificates of Deposits	-	0.00%	39,943,840	0.51%	-	0.00%	-	0.00%
\$65MM	Local Agency Investment Fund (LAIF)	-	0.00%	64,846,208	0.83%	-	0.00%	-	0.00%
20%	Repurchase Agreements	-	0.00%	-	0.00%	-	0.00%	-	0.00%
20%	Money Market Mutual Funds (MMMFs)	121,133,737	16.61%	-	0.00%	43,963,725	4.32%	112,771	0.22%
20%	JPA Investment Pools	-	0.00%	-	0.00%	-	0.00%	-	0.00%
30%	Supranationals	-	0.00%	-	0.00%	-	0.00%	-	0.00%
		\$ 729,137,854	100.00%	\$ 7,842,914,574	100.00%	\$ 1,016,881,693	100.00%	\$ 51,664,773	100.00%

Investment Policy (IPS) Guidelines	Compliance Category (Yes/No)	Orange County Money Market Fund	Extended Fund	Orange County Educational Money Market Fund	John Wayne Airport Investment Fund
See Above	Diversification % Limit	Yes	Yes	Yes	Yes
100%	Issuer Limits	Yes ⁽²⁾	Yes	Yes ⁽²⁾	Yes
10%	U.S. Treasuries Securities or GSEs	Yes ⁽²⁾	N/A	Yes ⁽²⁾	Yes
5%	MMMFs, or Repurchase Agreements, or JPA Inv Pool Remaining Issuers	Yes	Yes	Yes	Yes
60 Days	Maturity/Duration Limits	Yes/38.40	N/A	Yes/46.44	N/A
90 Days	Weighted Average Maturity - Money Market Fund	N/A	N/A	N/A	Yes/87.96
1.5 Years	Weighted Average Maturity - JWA Investment Fund	N/A	N/A	N/A	N/A
13 Months/397 days	Duration	N/A	Yes/1.04	N/A	N/A
15 Months/458 days	Final Maturity - Money Market Fund	Yes/238	N/A	Yes/266	N/A
5 Years/1826 days	Final Maturity - John Wayne Airport Investment Fund	N/A	N/A	N/A	Yes/266
	Final Maturity - Extended Fund	N/A	Yes/1334	N/A	N/A
≥ A-1/AA	Rating Limits	Yes	N/A	Yes	Yes
≥ A-1/P-1/F2	Money Market Fund Short Term/Long Term	Yes	N/A	Yes	Yes
≥ A-1/AA	Short Term Debt/No Split Ratings	N/A	Yes	N/A	N/A
Approved Issuer List	Extended Fund Short Term/Long Term	Yes	Yes	Yes	Yes
Broker/Dealer List	Authorized Issuer	Yes	Yes	Yes	Yes
>0.9975	Authorized Financial Dealer/Institution	Yes	N/A	Yes/1.0001	Yes/1.0003
	Net Asset Value - Money Market Fund and JWA	1.0004	N/A		

(1) All investments are marked-to-market in compliance with the Net Asset Value requirement in IPS and market values are provided by Bloomberg Professional Services and Northern Trust.

(2) Rating Agency requirements limit GSE investments to 33% per issuer for the two Money Market Funds.

(3) Rating Agency requirements limit investment in each Money Market Mutual Fund to 10%.

Note: Compliance exceptions, if any, are noted by red shading for the specific IPS guideline and investment pool.

**ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POLICY (IPS) AND TREASURY OVERSIGHT COMMITTEE (TOC) COMPLIANCE SUMMARY
January 31, 2019**

COMPLIANCE CATEGORY	RESPONSIBLE PARTY	REGULATORY/POLICY GUIDELINES	CURRENT STATUS
Annual Compliance Audit	TOC	Performance Evaluation-Cal Govt. Code 27134	Calendar year 2016 and six months ended 6/30/17 in progress.
Quarterly Statement of Assets Review	AC	Performance Evaluation-Cal Govt. Code 26920(a)	September 30, 2018 and December 31, 2018 in progress.
Annual Statement of Assets Audit	AC	Performance Evaluation-Cal Govt. Code 26920(b)	Annual audit as of June 30, 2017 completed.
Quarterly Compliance Monitoring	TOC	TOC Directive	September 30, 2018 completed. December 31, 2018 in progress.
Investment Administrative Fee	TTC	Compensation Agreement-Cal Govt. Code 27013	FY 16/17 and FY 17/18 in progress.
Annual Broker/Dealer Review	TTC	Authorized Financial Dealers and Qualified Institutions	Calendar year 2017 in progress.
Annual Broker/Dealer IPS Certification	TTC	Authorized Financial Dealers and Qualified Institutions	All 2018 IPS certifications received for active approved brokers.
IPS Compliance Deficiencies	TTC	Investment/Diversification/Maturity Restrictions/Form 700	FY 18/19 identified two compliance incidents as of January 31, 2019.
TOC Bylaw Changes	BOS	TOC Review and BOS Annual Approval	The TOC reviewed Bylaws and made no changes at the November 19, 2018 meeting. No BOS approval required.
Annual IPS Approval	BOS	TOC Review and BOS Annual Approval	The TOC reviewed proposed IPS changes at the November 19, 2018 meeting and did not make any additional changes. The BOS approved on December 18, 2018.
TOC Annual Report	BOS	TOC Bylaws Rule 30 - Oral and Written Report	The TOC 2017 Annual Report was presented to BOS meeting on February 27, 2018.
Broker/Financial Institution List	TTC	OC Gift Ban Ordinance and Form 700	The TOC members were provided a list of active TTC Broker/Dealers and Financial Institutions at the TOC meeting on January 30, 2019.
Certificates of Compliance	TTC	TOC Bylaws Rule 34 - Annual	The TOC members are in compliance for calendar year 2019.
Ethics Training	TTC	TOC Bylaws Rule 34 - Every Two Years	The TOC members are in compliance for calendar year 2018.
Conflict of Interest Form 700 Filing	TTC	TOC Bylaws Rule 34 / IPS - Every Year	All TOC members and designated employees are in compliance for calendar year 2017.

LEGEND	
Auditor-Controller	AC
Board of Supervisors	BOS
Treasury Oversight Committee	TOC
Office of Treasurer-Tax Collector	TTC

**Orange County Treasurer-Tax Collector
Noncompliance Detail
For the Month Ended January 31, 2019**

During January, the Orange County Investment Pool (OCIP), the Orange County Educational Investment Pool (OCEIP), and the John Wayne Airport Investment Fund were all free of noncompliance incidents.

MONTHLY TREASURER'S INVESTMENT REPORT

Distribution List

County of Orange Elected Officials

Honorable Don Barnes, Sheriff-Coroner
Honorable Hugh Nguyen, Clerk-Recorder
Honorable Claude Parrish, Assessor
Honorable Todd Spitzer, District Attorney/Public Administrator
Honorable Eric Woolery, Auditor-Controller

Treasury Oversight Committee

Gary Capata
Alisa Cutchen
Frank Kim
Al Mijares
Laura Parisi
Richard Rohm
Eric Woolery

County of Orange Departments

Assessor
Auditor-Controller
Child Support Services
Clerk of the Board
Clerk-Recorder
County Counsel
County Executive Office
District Attorney/Public Administrator
Health Care Agency
Human Resources Services
Independent Review
In-Home Supportive Services
John Wayne Airport
OC Community Resources
OC Dana Point Harbor
OC Public Works
OC Waste & Recycling
Performance Audit
Probation
Public Defender
Registrar of Voters
Sheriff-Coroner
Social Services Agency

County Agencies

Children & Families Commission
Civic Center Commission
Law Library
Orange County Employees Retirement System
Orange County Cemetery District
Orange County Fire Authority
Orange County Transportation Authority
Transportation Corridor Agencies

State of California

CDIAC
Superior Court

Orange County School Districts

Orange County Department of Education
Anaheim City School District
Anaheim Union High School District
Brea-Olinda Unified School District
Buena Park School District
Capistrano Unified School District

Centralia School District
Cypress School District
Fountain Valley School District
Fullerton School District
Fullerton Joint Union High School District
Garden Grove Unified School District
Huntington Beach City School District
Huntington Beach Union High School District
Irvine Unified School District
Laguna Beach Unified School District
La Habra City School District
Los Alamitos Unified School District
Lowell Joint School District
Magnolia School District
Newport-Mesa Unified School District
Ocean View School District
Orange Unified School District
Placentia-Yorba Linda Unified School District
Saddleback Valley Unified School District
Santa Ana Unified School District
Savanna School District
Tustin Unified School District
Westminster School District

Orange County Community College Districts (CCD)

Coast Community CCD
North Orange County CCD
Rancho-Santiago CCD
South Orange County CCD

Orange County Regional Occupational Programs (ROP)

Capistrano-Laguna Beach ROP
Coastline ROP
North Orange County ROP

Voluntary Pool Participants (date approved)

Serrano Water District (6-22-99)
City of Villa Park (10-2-01)
City of Tustin (5-21-02)
Mesa Water District (8-9-02)
Orange County Water District (3-30-04)
Municipal Water District of OC (7-27-04)
Orange County Mosquito and Vector Control District (11-14-06)
Buena Park Library District (2-9-10)
Local Agency Formation Commission (10-5-10)
Villa Park Community Services Foundation (4-5-11)
City of Laguna Niguel (3-13-14)
City of Lake Forest (12-16-15)
Foothill/Eastern TCA (10-14-16)
San Joaquin Hills TCA (10-14-16)
Foothill/Eastern TCA/RCC (11-17-16)
City of Laguna Woods (5-10-17)
City of Mission Viejo (10-2-17)
Placentia Library District (10-16-17)



March 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Investment and Debt Programs Report - January 2019

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending January 31, 2019. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy.

Recommendation

Receive and file as an information item.

Discussion

As of January 31, 2019, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$1.67 billion. The portfolio is divided into two managed portfolios: the liquid portfolio for immediate cash needs and the short-term portfolio for future budgeted expenditures. In addition to these portfolios, OCTA has funds invested in debt service reserve funds for the 91 Express Lanes Program. The weighted average book yield for the OCTA portfolio is 2.44 percent.

The book yield measures the exact income, or interest, on a bond without regard to market price change. The yield is the income return on an investment, such as the interest received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost and market value.

OCTA's debt portfolio had an outstanding principal balance of \$695 million as of January 31, 2019. Approximately 45 percent of the outstanding balance is

comprised of Measure M2 debt, 14 percent is associated with the 91 Express Lanes Program, and 41 percent is for the Transportation Infrastructure Finance and Innovation Act Loan.

Summary

The Treasurer is submitting a copy of the Orange County Transportation Authority Investment and Debt Programs report to the Finance and Administration Committee. The report is for the month ending January 31, 2019.

Attachment

- A. Orange County Transportation Authority Investment and Debt Programs
– For the Period Ending January 31, 2019.

Prepared by:



Sean Murdock
Director
Finance and Administration
(714) 560-5685

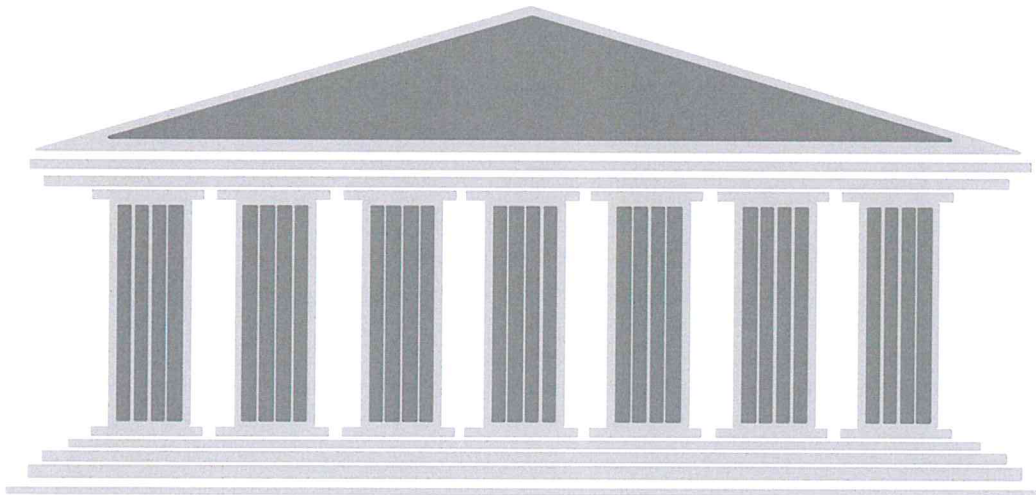
Approved by:



Andrew Oftelie
Chief Financial Officer
(714) 560-5649

**Treasury/Public Finance Department's
Report On**

**Orange County Transportation Authority
Investment and Debt Programs**



**Presented to the
Finance and Administration Committee**

**For The Period Ending
January 31, 2019**

INVESTMENT PROGRAM

Investment Profile

1/31/2019

<u>Portfolio Manager</u>	<u>Depository</u>	<u>Role</u>	<u>Type of Investment</u>	<u>Amount (\$ Millions)</u>
<i>ACTIVELY MANAGED INVESTMENTS</i>				
Logan Circle Partners	Union Bank	Custodian	Short-Term Operating	373.3
Chandler Asset Management	Union Bank	Custodian	Short-Term Operating	374.4
Payden & Rygel Investment Counsel	Union Bank	Custodian	Short-Term Operating	375.4
Public Financial Management (PFM)	Union Bank	Custodian	Short-Term Operating	374.8
<i>POOLED INVESTMENTS</i>				
California State Treasurer	LAIF	Custodian	Liquid	10.5
Orange County Treasurer	OCIP	Custodian	Legal Requirement	0.2
<i>CASH INVESTMENTS</i>				
OCTA	BNY Mellon	Trustee	Liquid	110.1
OCTA	Bank of the West	Broker	Liquid	26.7
OCTA	U.S Bank	Trustee	Liquid	2.4
<i>DEBT SERVICE RESERVE FUNDS</i>				
91 Express Lanes 2013 Ref. Bonds	U.S Bank	Trustee	Commercial Paper	11.1
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Commercial Paper	10.0
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Commercial Paper	3.0
Bank Deposits/Cash				0.4
TOTAL				\$1,672.4

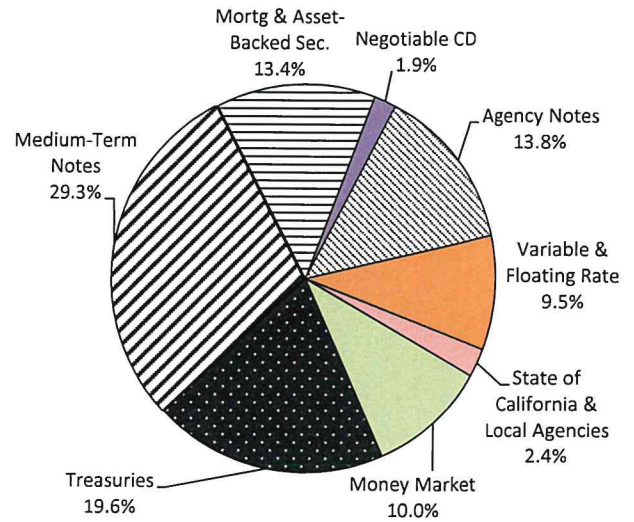
Short-Term Portfolio - \$1.50 Billion

As of 1/31/19

Part 1 of 2

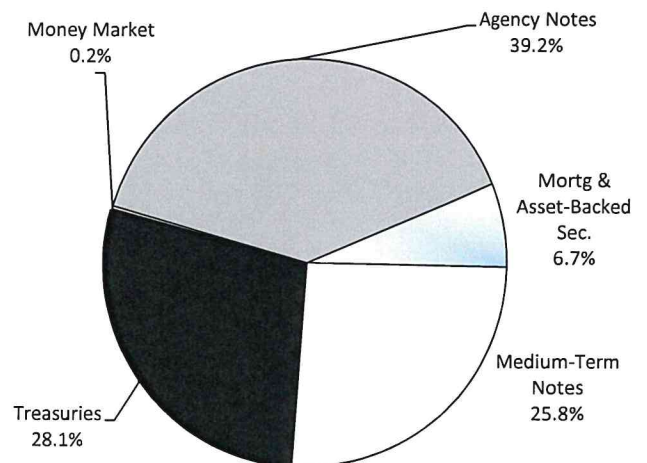
Logan Circle Partners

Book Value	\$	373,313,240
Market Value	\$	373,072,174



Chandler Asset Management

Book Value	\$	374,436,980
Market Value	\$	373,665,265



Book & Market Value Reported By Clearwater

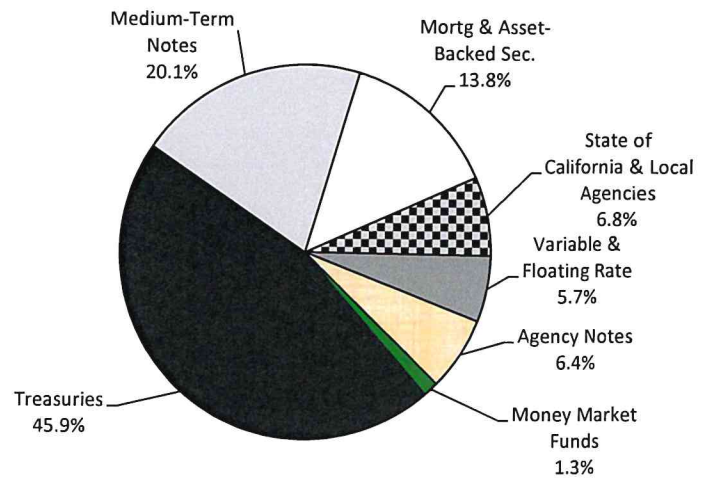
Short-Term Portfolio - \$1.50 Billion

As of 1/31/19

Part 2 of 2

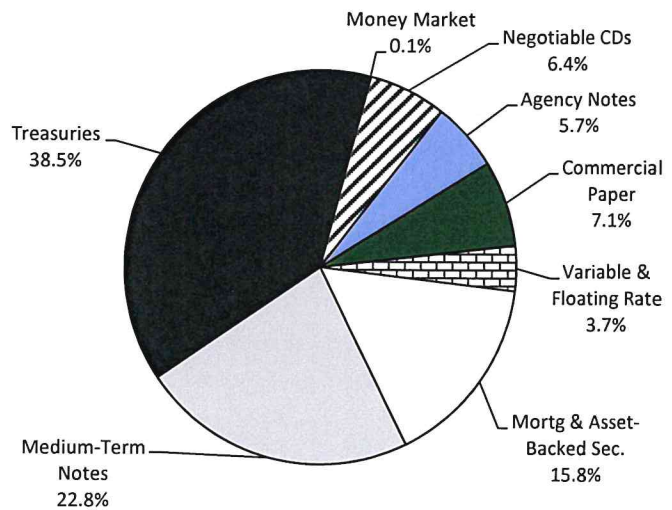
Payden & Rygel

Book Value	\$	375,373,319
Market Value	\$	375,375,579



Public Financial Management (PFM)

Book Value	\$	374,802,445
Market Value	\$	374,858,055

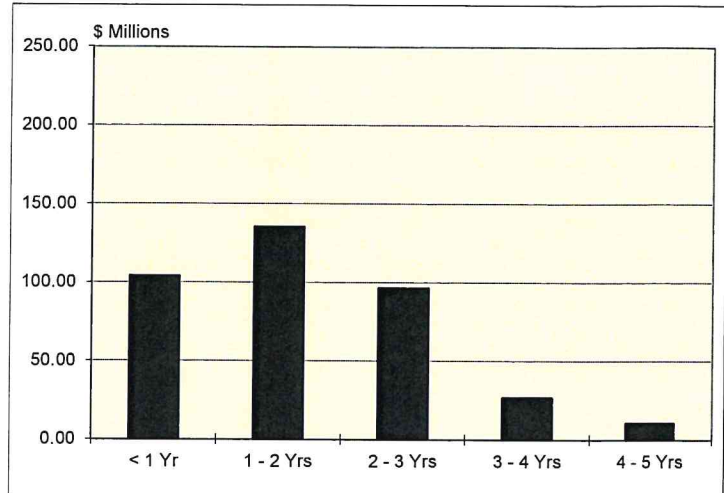


Book & Market Value Reported By Clearwater

Short-Term Portfolio Maturity Schedule As of 1/31/19

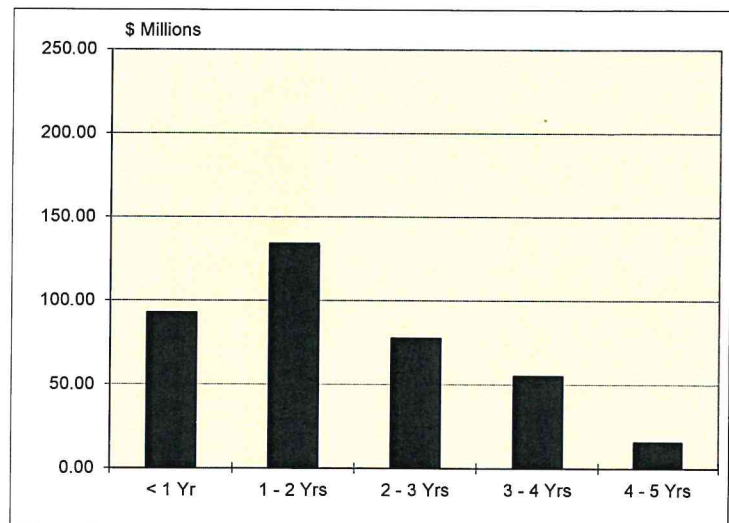
Logan Circle Partners (\$373.3 M)

Monthly Return	0.39%
TSY Benchmark	0.27%
Gov/Corp Benchmark	0.34%
Fiscal YTD Return	1.67%
TSY Benchmark	1.77%
Gov/Corp Benchmark	1.88%
12 Month Return	2.13%
TSY Benchmark	2.15%
Gov/Corp Benchmark	2.25%



Chandler Asset Management (\$374.4 M)

Monthly Return	0.40%
Benchmark Comparison	0.27%
Gov/Corp Benchmark	0.34%
Fiscal YTD Return	1.90%
TSY Benchmark	1.77%
Gov/Corp Benchmark	1.88%
12 Month Return	2.29%
TSY Benchmark	2.15%
Gov/Corp Benchmark	2.25%



Yield Curve Change From 12/31/18 to 1/31/19			
	12/31/18	1/31/19	Change
1 Year	2.599%	2.557%	-0.0420%
2 Year	2.490%	2.523%	0.0330%
3 Year	2.459%	2.512%	0.0530%
5 Year	2.512%	2.514%	0.0020%
30 Year	3.015%	3.033%	0.0180%

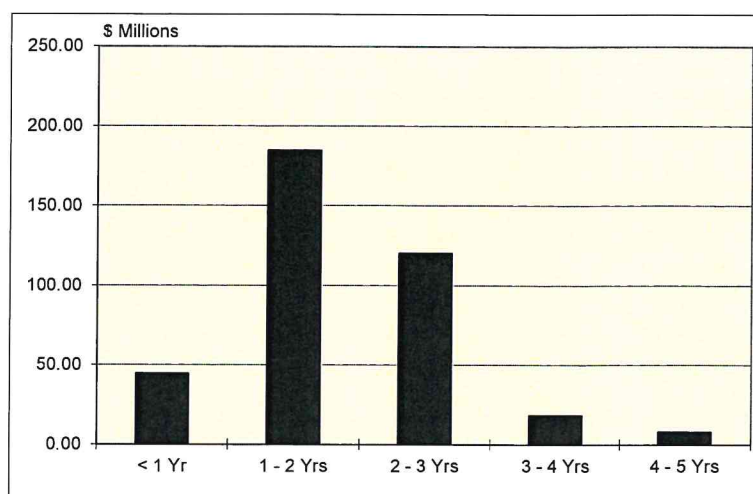
Short-Term Portfolio Maturity Schedule As of 1/31/19

Payden & Rygel (\$375.4 M)

Monthly Return 0.37%
TSY Benchmark 0.27%
Gov/Corp Benchmark 0.34%

Fiscal YTD Return 1.90%
TSY Benchmark 1.77%
Gov/Corp Benchmark 1.88%

12 Month Return 2.39%
TSY Benchmark 2.15%
Gov/Corp Benchmark 2.25%

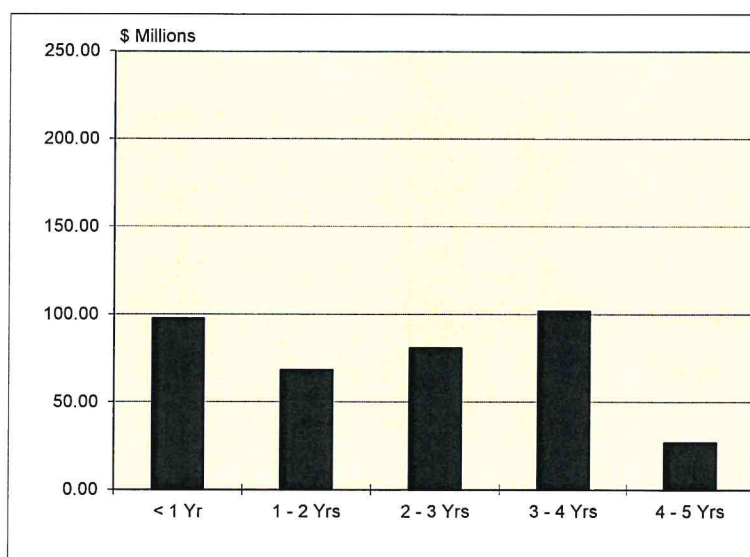


Public Financial Management (\$374.8 M)

Monthly Return 0.44%
TSY Benchmark 0.27%
Gov/Corp Benchmark 0.34%

Fiscal YTD Return 1.95%
TSY Benchmark 1.77%
Gov/Corp Benchmark 1.88%

12 Month Return 2.41%
TSY Benchmark 2.15%
Gov/Corp Benchmark 2.25%

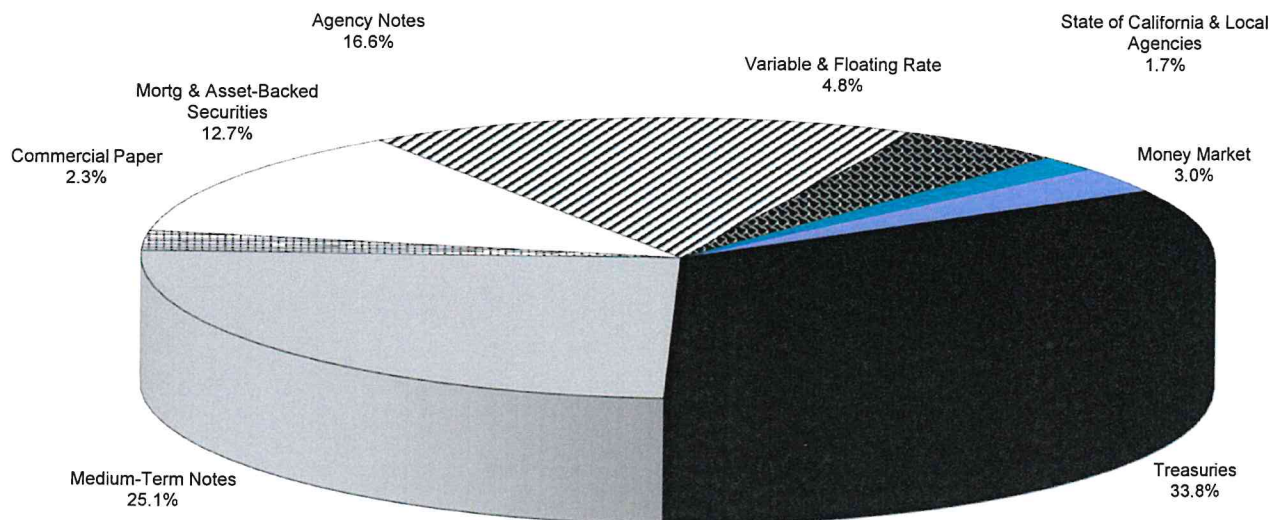


Yield Curve Change From 12/31/18 to 1/31/19			
	12/31/18	1/31/19	Change
1 Year	2.599%	2.557%	-0.0420%
2 Year	2.490%	2.523%	0.0330%
3 Year	2.459%	2.512%	0.0530%
5 Year	2.512%	2.514%	0.0020%
30 Year	3.015%	3.033%	0.0180%

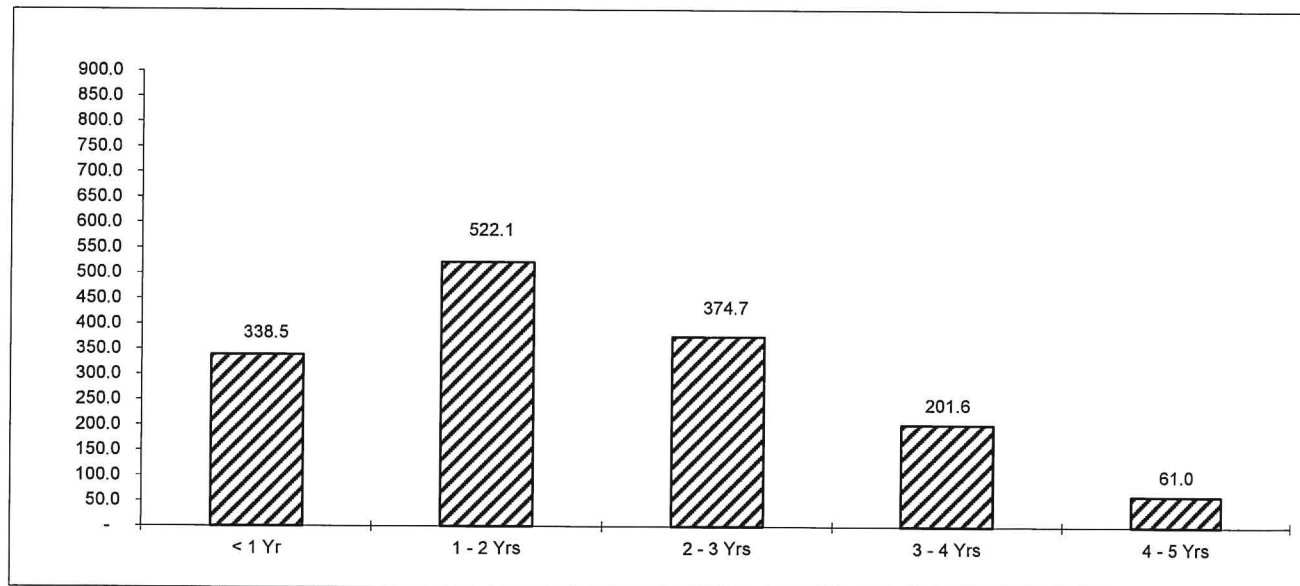
Short-Term Portfolio

As of 1/31/19

Total Portfolio Composition



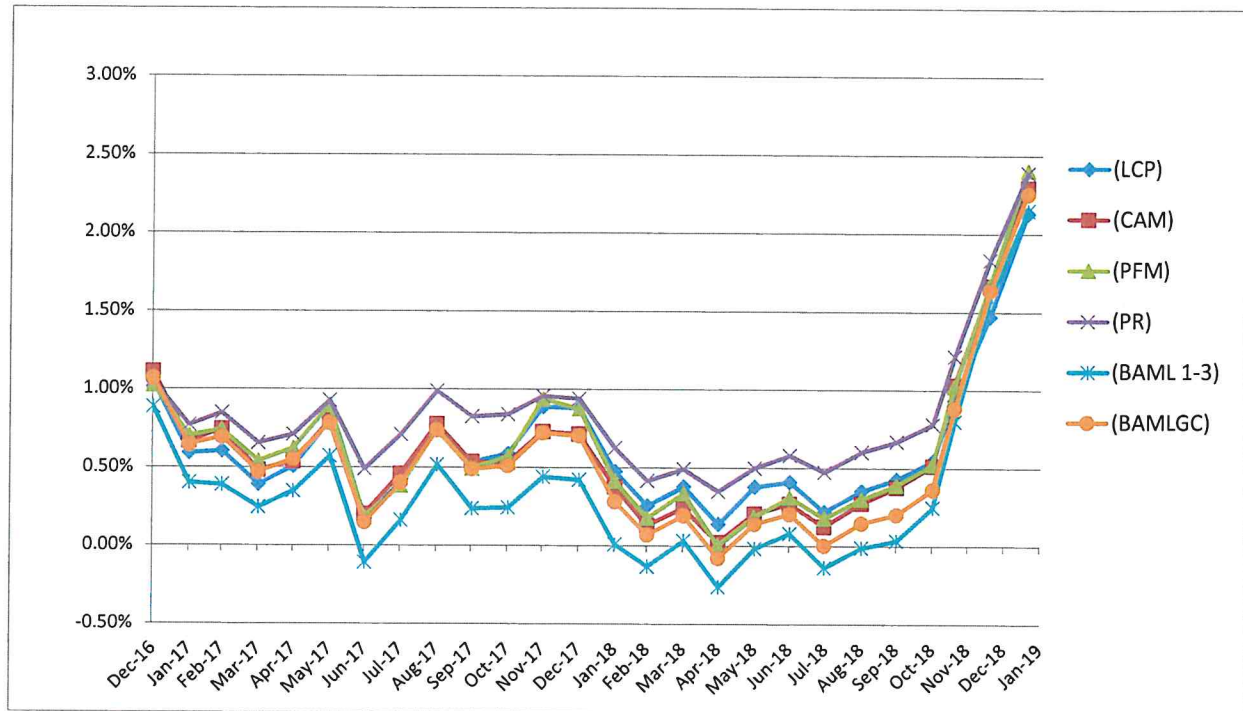
Total Portfolio Maturity Schedule



Short-Term Portfolio Performance

As of 1/31/19

Trailing 1-Year Total Return
Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks

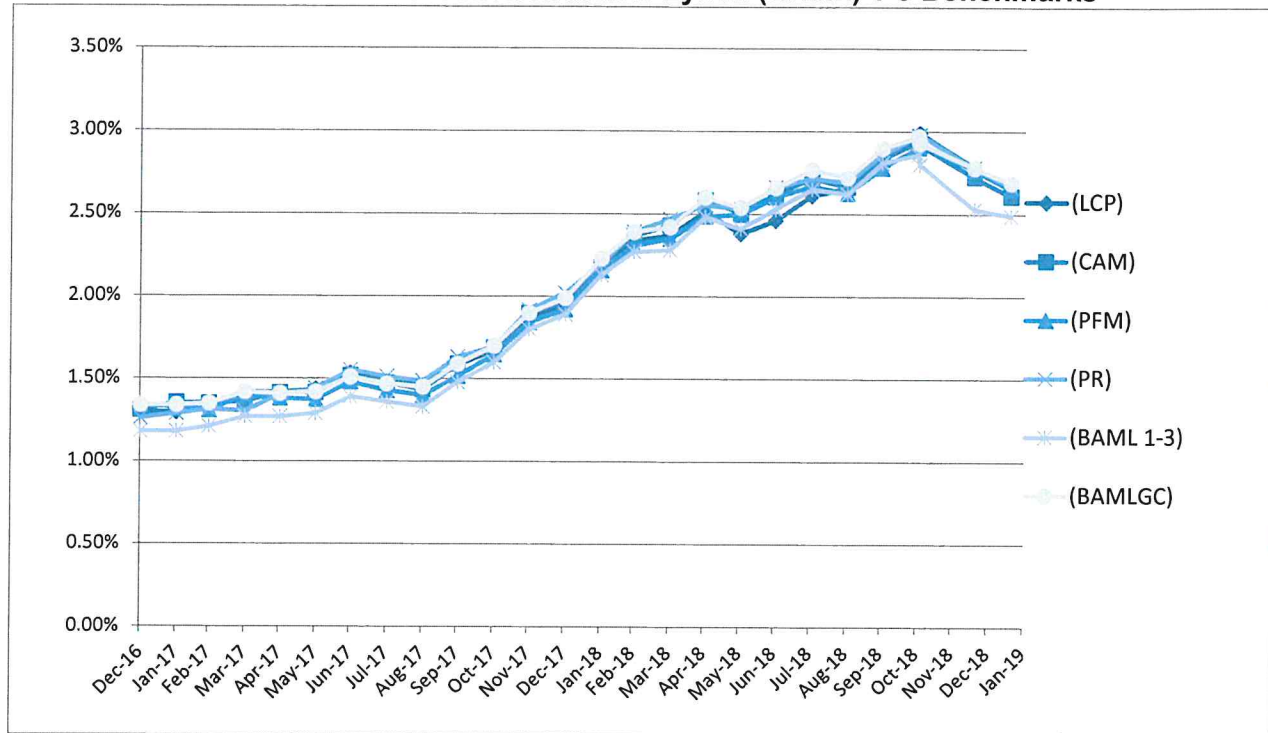


	Logan Circle Partners (LCP)	Chandler Asset Mgmt (CAM)	Public Fin Mgmt (PFM)	Payden & Rygel (PR)	ICE/BAML 1-3 Yr Trsy (BAML 1-3)	ICE/ BAML 1-3 Yr Gov/Corp (BAMLGC)
Dec-16	1.04%	1.11%	1.02%	1.05%	0.89%	1.07%
Jan-17	0.59%	0.67%	0.70%	0.77%	0.40%	0.65%
Feb-17	0.60%	0.74%	0.74%	0.85%	0.39%	0.69%
Mar-17	0.39%	0.48%	0.54%	0.65%	0.25%	0.47%
Apr-17	0.51%	0.54%	0.62%	0.71%	0.35%	0.55%
May-17	0.79%	0.80%	0.90%	0.93%	0.57%	0.78%
Jun-17	0.17%	0.20%	0.18%	0.49%	-0.11%	0.15%
Jul-17	0.40%	0.46%	0.38%	0.71%	0.16%	0.40%
Aug-17	0.76%	0.78%	0.74%	0.99%	0.52%	0.74%
Sep-17	0.54%	0.54%	0.49%	0.82%	0.24%	0.49%
Oct-17	0.59%	0.53%	0.57%	0.84%	0.24%	0.51%
Nov-17	0.89%	0.73%	0.94%	0.96%	0.44%	0.72%
Dec-17	0.88%	0.71%	0.87%	0.94%	0.42%	0.70%
Jan-18	0.48%	0.38%	0.41%	0.62%	0.01%	0.28%
Feb-18	0.26%	0.13%	0.18%	0.42%	-0.13%	0.07%
Mar-18	0.38%	0.24%	0.34%	0.49%	0.03%	0.19%
Apr-18	0.14%	0.02%	0.00%	0.35%	-0.26%	-0.08%
May-18	0.38%	0.21%	0.18%	0.50%	-0.02%	0.14%
Jun-18	0.41%	0.27%	0.31%	0.58%	0.08%	0.20%
Jul-18	0.22%	0.12%	0.18%	0.47%	-0.14%	0.00%
Aug-18	0.35%	0.27%	0.30%	0.60%	-0.01%	0.15%
Sep-18	0.43%	0.38%	0.39%	0.67%	0.04%	0.20%
Oct-18	0.55%	0.51%	0.52%	0.78%	0.25%	0.36%
Nov-18	0.93%	1.03%	1.02%	1.22%	0.80%	0.88%
Dec-18	1.47%	1.67%	1.67%	1.83%	1.58%	1.64%
Jan-19	2.13%	2.29%	2.41%	2.39%	2.15%	2.25%

Comparative Yield Performance

As of 1/31/19

Historical Yields
Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks



	Logan Circle Partners (LCP)	Chandler Asset Mgmt (CAM)	Public Fin Mgmt (PFM)	Payden Rygel (PR)	ICE/BAML 1-3 Yr Trsy (BAML 1-3)	ICE/ BAML 1-3 Yr Gov/Corp (BAMLGC)
Dec-16	1.30%	1.31%	1.34%	1.26%	1.18%	1.34%
Jan-17	1.29%	1.36%	1.33%	1.29%	1.18%	1.34%
Feb-17	1.32%	1.35%	1.31%	1.31%	1.21%	1.35%
Mar-17	1.42%	1.36%	1.39%	1.30%	1.27%	1.42%
Apr-17	1.42%	1.41%	1.38%	1.41%	1.27%	1.41%
May-17	1.44%	1.42%	1.37%	1.44%	1.29%	1.42%
Jun-17	1.54%	1.52%	1.48%	1.55%	1.39%	1.51%
Jul-17	1.48%	1.48%	1.43%	1.51%	1.36%	1.47%
Aug-17	1.46%	1.44%	1.40%	1.49%	1.33%	1.45%
Sep-17	1.59%	1.59%	1.52%	1.63%	1.48%	1.59%
Oct-17	1.67%	1.69%	1.65%	1.70%	1.60%	1.70%
Nov-17	1.87%	1.90%	1.84%	1.92%	1.80%	1.90%
Dec-17	1.96%	1.97%	1.92%	2.02%	1.89%	1.99%
Jan-18	2.18%	2.19%	2.16%	2.20%	2.13%	2.23%
Feb-18	2.34%	2.37%	2.31%	2.39%	2.27%	2.39%
Mar-18	2.37%	2.43%	2.35%	2.47%	2.28%	2.42%
Apr-18	2.51%	2.58%	2.48%	2.55%	2.48%	2.60%
May-18	2.38%	2.51%	2.50%	2.53%	2.41%	2.54%
Jun-18	2.46%	2.62%	2.60%	2.66%	2.53%	2.66%
Jul-18	2.61%	2.72%	2.67%	2.72%	2.65%	2.77%
Aug-18	2.66%	2.66%	2.63%	2.69%	2.62%	2.72%
Sep-18	2.86%	2.83%	2.78%	2.86%	2.81%	2.90%
Oct-18	2.94%	2.94%	2.90%	2.98%	2.86%	2.97%
Nov-18	2.99%	2.92%	2.93%	2.98%	2.80%	2.93%
Dec-18	2.78%	2.72%	2.77%	2.78%	2.53%	2.78%
Jan-19	2.65%	2.61%	2.65%	2.67%	2.49%	2.69%

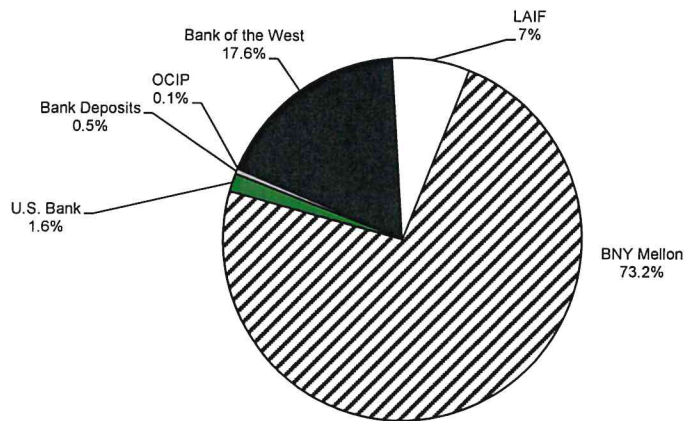
Liquid Funds Portfolio - \$165.1 M

As of 1/31/19

Other Liquid Funds

Book Value \$ 150,337,674

Market Value \$ 150,337,674

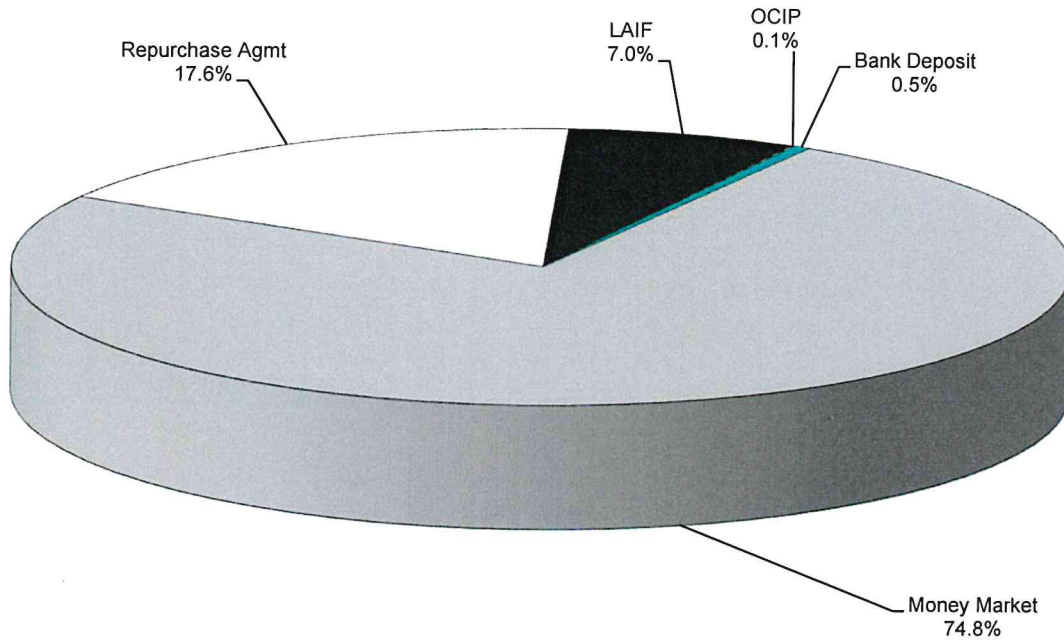


Yield Curve Change From 12/31/18 to 1/31/19			
	12/31/18	1/31/19	Change
1 Month	2.429%	2.386%	-0.0430%
3 Month	2.361%	2.407%	0.0460%
6 Month	2.482%	2.498%	0.0160%

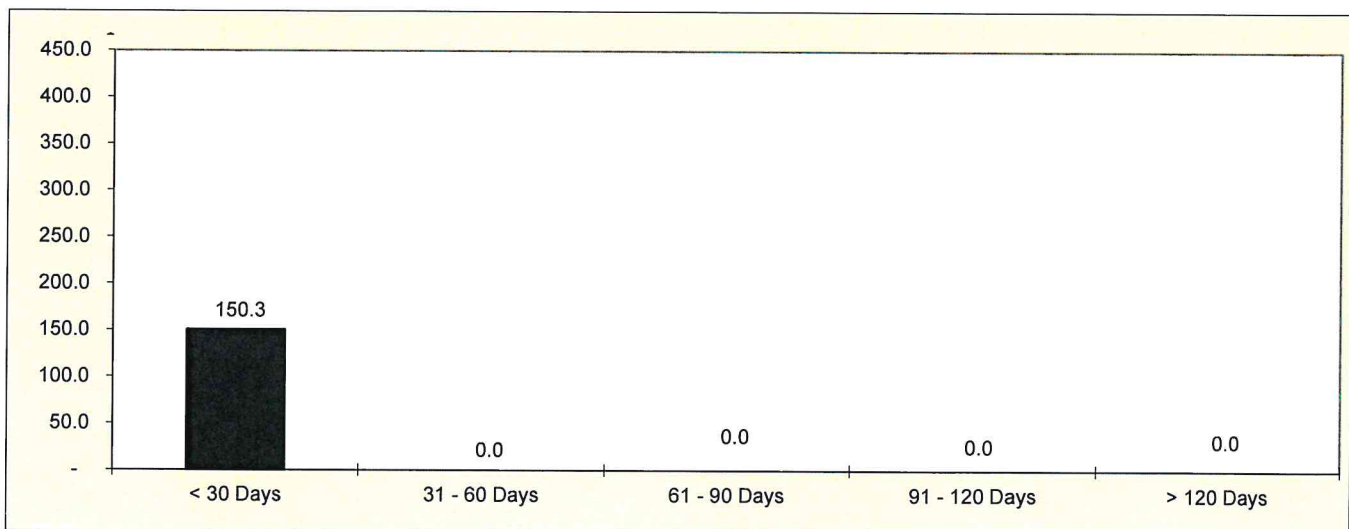
Liquid Portfolio

As of 1/31/19

Total Portfolio Composition



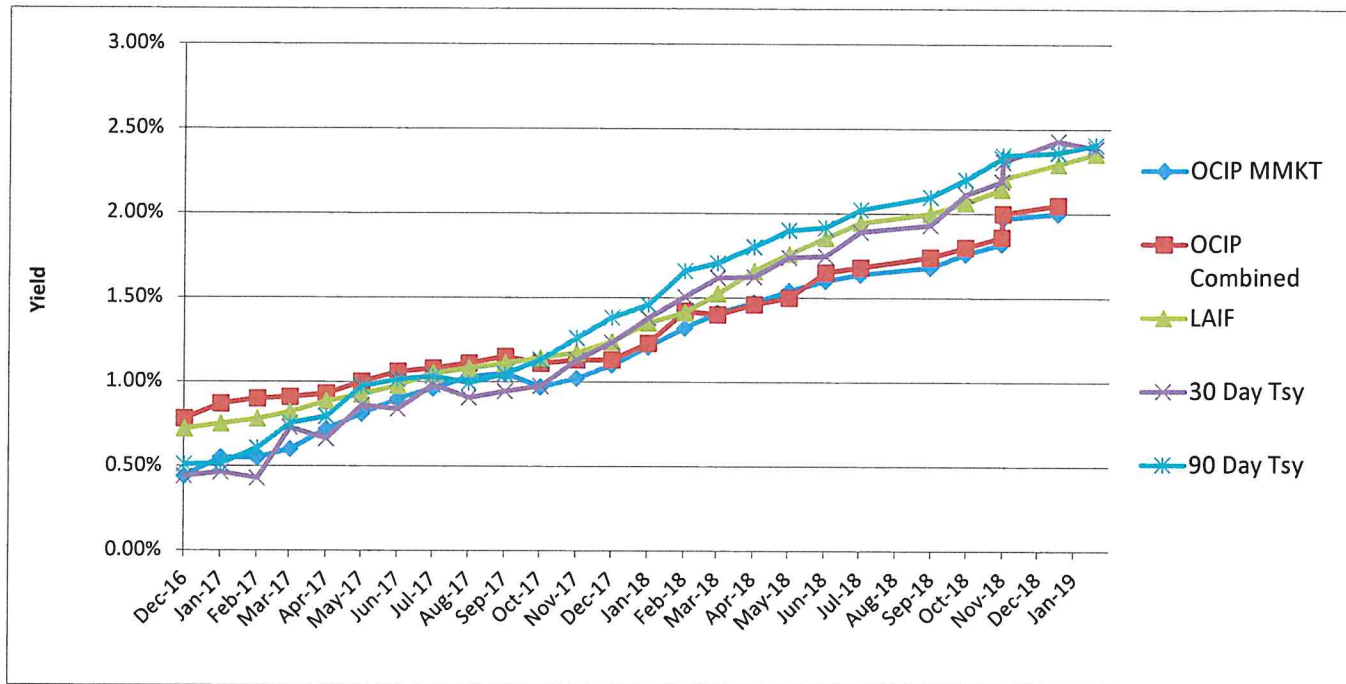
Maturity Schedule For Liquid Portfolio



Liquid Portfolio Performance

As of 1/31/19

Trailing 2-Year Yield OCIP, LAIF, 30 & 90 Day Treasury Bills



	OCIP MMKT	OCIP Combined	LAIF	30 Day Tsy	90 Day Tsy
Dec-16	0.44%	0.78%	0.72%	0.44%	0.51%
Jan-17	0.55%	0.87%	0.75%	0.46%	0.52%
Feb-17	0.55%	0.90%	0.78%	0.43%	0.61%
Mar-17	0.60%	0.91%	0.82%	0.73%	0.75%
Apr-17	0.72%	0.93%	0.88%	0.66%	0.80%
May-17	0.81%	1.00%	0.93%	0.86%	0.97%
Jun-17	0.90%	1.06%	0.98%	0.84%	1.01%
Jul-17	0.96%	1.08%	1.05%	0.98%	1.03%
Aug-17	1.03%	1.11%	1.08%	0.91%	0.99%
Sep-17	1.05%	1.15%	1.11%	0.94%	1.05%
Oct-17	0.97%	1.11%	1.14%	0.98%	1.13%
Nov-17	1.02%	1.13%	1.17%	1.13%	1.26%
Dec-17	1.10%	1.13%	1.24%	1.23%	1.38%
Jan-18	1.21%	1.23%	1.35%	1.38%	1.46%
Feb-18	1.32%	1.42%	1.41%	1.51%	1.66%
Mar-18	1.41%	1.40%	1.52%	1.62%	1.71%
Apr-18	1.47%	1.46%	1.66%	1.62%	1.80%
May-18	1.54%	1.50%	1.76%	1.74%	1.90%
Jun-18	1.60%	1.65%	1.85%	1.75%	1.92%
Jul-18	1.64%	1.68%	1.94%	1.89%	2.02%
Aug-18	1.68%	1.74%	2.00%	1.93%	2.10%
Sep-18	1.76%	1.80%	2.06%	2.11%	2.20%
Oct-18	1.82%	1.86%	2.14%	2.19%	2.33%
Nov-18	1.97%	2.00%	2.21%	2.31%	2.35%
Dec-18	2.00%	2.05%	2.29%	2.43%	2.36%
Jan-19	N/A	N/A	2.36%	2.39%	2.41%

Investment Policy Compliance

As of 1/31/19

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Portfolio</u>	<u>Investment Policy Maximum Percentages</u>
U.S. Treasuries	495,051,808	29.6%	100%
Federal Agencies & U.S. Government Sponsored *	243,307,122	14.5%	100%
State of California & Local Agencies	34,562,309	2.1%	25%
Money Market Funds & Mutual Funds	155,966,228	9.3%	20%
Bankers Acceptances	0	0.0%	30%
Negotiable Certificates of Deposit	24,000,000	1.4%	30%
Commercial Paper	57,638,219	3.4%	25%
Medium Term Maturity Corporate Securities	367,192,945	22.0%	30%
Mortgage and Asset-backed Securities	185,962,997	11.1%	20%
Repurchase Agreements	26,406,740	1.6%	75%
Investment Agreements Pursuant To Indenture	0	0.0%	100%
Local Agency Investment Fund (LAIF)	10,544,129	0.6%	\$ 40 Million
Orange County Investment Pool (OCIP)	171,317	0.0%	\$ 40 Million
CAMP	0	0.0%	10%
Variable & Floating Rate Securities	70,869,756	4.2%	30%
Debt Service Reserve Funds - Investment Agreements	0	0.0%	Not Applicable
Bank Deposits	712,048	0.0%	5%
Derivatives (hedging transactions only)	0	0.0%	5%
TOTAL	1,672,385,618	100.0%	

* See attached page for a detailed listing of this category

Investment Policy Compliance

As of 1/31/19

Detail Composition

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Total Portfolio</u>	<u>Investment Policy Guidelines</u>
<u>Federal Agencies & U.S. Government Sponsored</u>			
Federal Home Loan Bank (FHLB)	93,075,520	5.6%	35%
Federal Home Loan Mortgage Corporation (FHLMC)	70,491,619	4.2%	35%
Federal Farm Credit Bank (FFCB)	34,376,546	2.1%	35%
Federal National Mortgage Association (FNMA)	63,490,420	3.8%	35%
	261,434,104 *	15.6%	

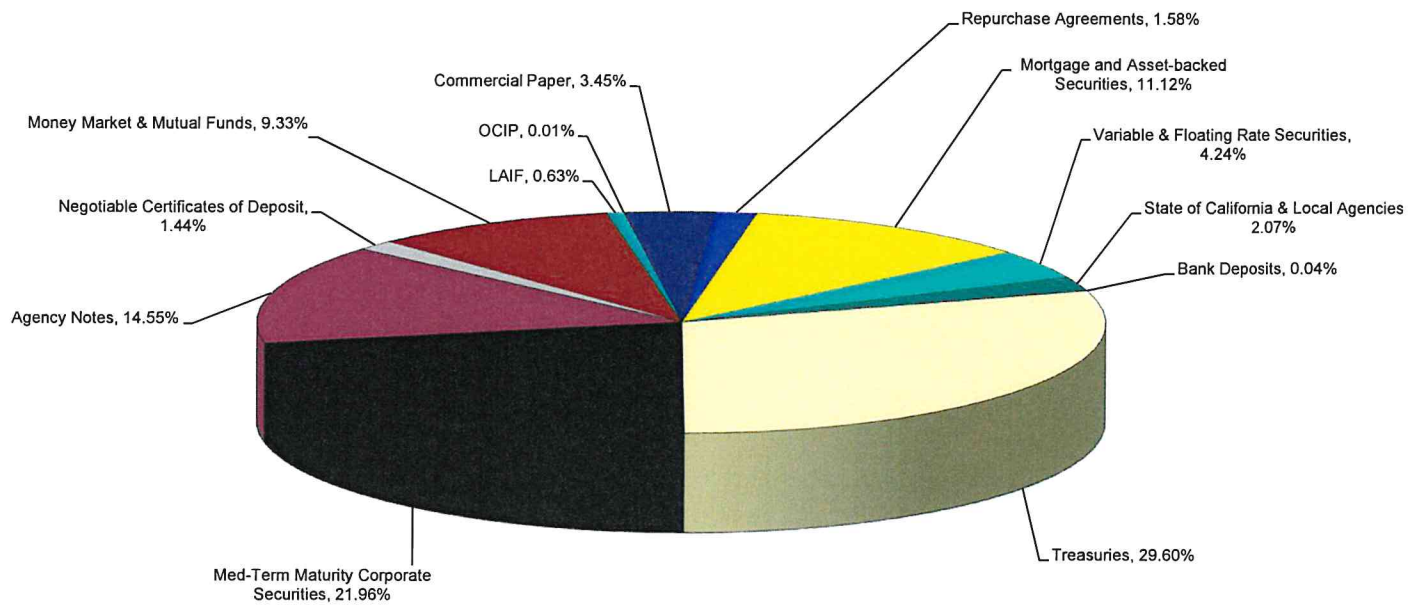
* The Total Dollar Amount Invested Equals The Dollar Amount Invested For Federal Agency Securities, Variable & Floating Rate (Agency) Securities, And A Portion Of Mortgage (Agency) & Asset-back Securities.

Money Market Funds (MMF) & Mutual Funds

First American Obligations Treasury Fund	2,422,969	0.1%
Goldman Sach Fin. Square Govt. MMF	0	0.0%
Blackrock Institutional T-Fund	43,455,737	2.6%
Fidelity Treasury Obligations MMF	76,080,000	4.5%
Federated Treasury Obligations Fund	<u>34,000,470</u>	<u>2.0%</u>
	155,959,176	9.3%

Investment Allocation

As of 1/31/19



Negative Credit Watch

As of 1/31/19

<u>Manager / Security</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch Ratings</u>
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PFM

IBM	1,920,000	Various**	A	A1	A
On October 29, 2018, Moody's and S&P placed the long-term ratings of IBM under review for possible downgrade. On October 30, 2018, Fitch placed the long-term ratings of IBM under review for possible downgrade.					

Payden & Rygel

IBM	1,155,000	1/27/2020	A	A1	A
On October 29, 2018, Moody's and S&P placed the long-term ratings of IBM under review for possible downgrade. On October 30, 2018, Fitch placed the long-term ratings of IBM under review for possible downgrade.					

CAM

IBM	3,500,000	2/19/2021	A	A1	A
On October 29, 2018, Moody's and S&P placed the long-term ratings of IBM under review for possible downgrade. On October 30, 2018, Fitch placed the long-term ratings of IBM under review for possible downgrade.					

Logan Circle Partners

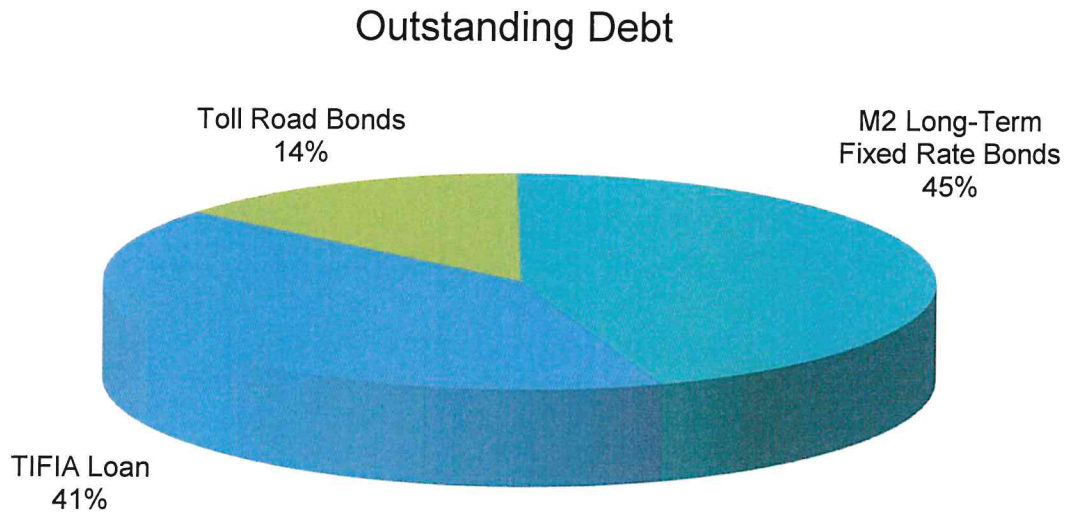
IBM	3,760,000	11/30/2020	A	A1	A
On October 29, 2018, Moody's and S&P placed the long-term ratings of IBM under review for possible downgrade. On October 30, 2018, Fitch placed the long-term ratings of IBM under review for possible downgrade.					

** Securities will mature on 2/12/19 and 2/5/21.

DEBT PROGRAM

Total Outstanding Debt

As of 1/31/19



TOTAL OUTSTANDING DEBT: \$695,030,000

Outstanding Debt

As of 1/31/19

Orange County Local Transportation Authority (OCLTA-M2)

2010 Series A Taxable Build America Bonds - Sales Tax Revenue Bonds

Issued:	\$	293,540,000
Outstanding:		293,540,000
Debt Service FY 2019:		12,922,317
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings		Aa2/AA+/AA+
Final Maturity		2041

2010 Series B Tax-Exempt Sales Tax Revenue Bonds

Issued:	\$	59,030,000
Outstanding:		16,695,000
Debt Service FY 2019:		8,914,350
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings		Aa2/AA+/AA+
Final Maturity		2020

91 Express Lanes

2013 OCTA 91 Express Lanes Refunding Bonds

Issued:	\$	124,415,000
Outstanding:		97,795,000
Debt Service FY 2019:		10,796,325
Pledged Revenue Source:	91 Toll Road Revenues	
Underlying Ratings		A1/AA-/A+
Final Maturity		2030

405 Express Lanes

2017 TIFIA Loan

Outstanding:	\$	287,000,000
Accrued Debt Service FY 2019:	\$	6,821,245
Pledged Revenue Source:	405 Toll Road Revenues	
Ratings		Baa2
Final Maturity		2057



March 13, 2019

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Local Transportation Fund Claims for Fiscal Year 2019-20

Overview

The Orange County Transit District is eligible to receive funding from the Local Transportation Fund for providing public transportation services throughout Orange County. In order to receive these funds, the Orange County Transit District, as the public transit and community transit services operator, must file claims with the Orange County Transportation Authority, the transportation planning agency for Orange County.

Recommendation

Adopt Orange County Transit District Resolution No. 2019-014 authorizing the filing of Local Transportation Fund claims, in the amounts of \$164,730,028 to support public transportation, and \$8,733,198 for community transit services.

Background

The Transportation Development Act (TDA) of 1971 established a funding source dedicated to transit and non-transit related projects. The funding source consists of two parts: the Local Transportation Fund (LTF), which is derived from a 1/4 cent of the current retail sales tax in Orange County, and the State Transit Assistance Fund, which is generated from the sales tax on diesel and funded through the Public Transportation Account.

The LTF revenues are collected by the California Department of Tax and Fee Administration and returned monthly to local jurisdictions based on the volume of sales during each month. In Orange County, the LTF receipts are deposited in the Orange County LTF account at the Orange County Treasury and administered by the Orange County Auditor-Controller. LTF receipts are distributed by the Orange County Auditor-Controller among the various administrative, planning, and program apportionments as specified in the TDA.

Discussion

Section 6630 of the California Code of Regulations requires Orange County Transit District (OCTD) to file a claim with the Orange County Transportation Authority (OCTA) in order to receive an allocation from the LTF for providing public transportation services (Article 4 claims). Since the OCTA has previously designated the OCTD as the consolidated transportation service agency for Orange County, the OCTD is also required to file a claim with the OCTA in order to receive an allocation from the LTF for operating community transit services (Article 4.5 claims). The total amount of these claims for fiscal year 2019-20 equals \$173,463,226.

Summary

The LTF provides funds to the OCTD for public transit services. In order to receive these funds, the OCTD must file the appropriate LTF claims with the OCTA. Staff recommends the OCTA Board of Directors adopt the OCTD Resolution No. 2019-014 to authorize the filing of these claims.

Attachment

- A. Resolution of the Orange County Transit District, Authorizing the Filing of Local Transportation Fund Claims

Prepared by:



Sam Kaur
Department Manager,
Revenue Administration
(714) 560-5889

Approved by:



Andrew Oftelie
Chief Financial Officer,
Finance and Administration
(714) 560-5637

**RESOLUTION OF THE
ORANGE COUNTY TRANSIT DISTRICT**

**AUTHORIZING THE FILING OF
LOCAL TRANSPORTATION FUND CLAIMS**

WHEREAS, the Orange County Local Transportation Fund was created by the Transportation Development Act (SB 325:1971) to aid in meeting the public transportation and community transit needs that exist in Orange County; and

WHEREAS, the Orange County Transit District is submitting transportation claims for funds from the Orange County Local Transportation Fund; and

WHEREAS, the Orange County Transportation Authority has the authority to review claims and allocate such funds in accordance with the California Code of Regulations and the California Transportation Development Act.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Orange County Transit District hereby requests the Orange County Transportation Authority to allocate funds to the Orange County Transit District for the purpose of providing the support of a public transportation system as described under the California Transportation Development Act, Article 4, and for funding community transit services as described under the California Transportation Development Act, Article 4.5.

BE IT FURTHER RESOLVED that the Orange County Transit District agrees to provide the Orange County Transportation Authority with such information as may be necessary to support these transportation claims.

ADOPTED, SIGNED AND APPROVED this 25th day of March 2019.

AYES:

NOES:

ABSENT:

ATTEST:

Laurena Weinert
Clerk of the Board

Tim Shaw, Chairman
Orange County Transit District



March 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Environmental Mitigation Program Endowment Fund Investment Report for December 31, 2018

Overview

The Orange County Transportation Authority has developed a Natural Community Conservation Plan/Habitat Conservation Plan, acquired conservation properties, and funded habitat restoration projects to mitigate the impacts of Measure M2 freeway projects. California Community Foundation manages the non-wasting endowment required to pay for the long-term management of the conservation properties. Each quarter, the California Community Foundation publishes a comprehensive report detailing the composition of the pool and its performance. Attached is the quarterly investment report for the Endowment Pool for the period ending December 31, 2018. The report has been reviewed and is consistent with the pool objectives.

Recommendation

Receive and file as an information item.

Background

On September 26, 2016, the Board of Directors approved the selection of the California Community Foundation (CCF) as an endowment fund manager for the Measure M2 Freeway Environmental Mitigation Program. Approximately \$2.9 million on an annual basis will be deposited in the endowment. As of December 31, 2018, the Orange County Transportation Authority has made three deposits to the Endowment Pool, each in the amount of \$2,877,000. These annual deposits are expected to continue for ten to 12 years, or until the fund totals approximately \$46.2 million.

Discussion

As of December 31, 2018, total pool assets in the CCF Endowment Pool were \$1.015 billion. Total foundation assets were \$1.66 billion. Performance for the Endowment Pool was -4.3 percent for the month, 0.2 percent below the benchmark; -8.0 percent for the quarter, exceeding the benchmark by 0.2 percent. The one-year return was -4.8 percent, exceeding the benchmark by 1.6 percent.

The balance as of December 31, 2018, was \$8,568,159. This balance is less than the projected balance of \$9,097,957 due to the poor performance of equities in the fourth quarter of 2018. Equities fell by more than ten percent in the fourth quarter based on volatility in the stock market due to uncertainty caused by trade disputes, rising interest rates and the slowing global economy. Despite the poor performance of equities in the fourth quarter the stock market rebounded in January. Though not part of the fourth quarter results, based on the rebound of the stock market in January the endowment balance as of January 31, 2019, was \$9,009,153, which puts the balance near the December 31, 2018 projected balance.

The projected annualized cost for administration services for the endowment was 0.75 percent based on indications received during the due diligence process. Based on the current balance of the endowment the cost for administration services is 0.25 percent.

Summary

The Orange County Transportation Authority is submitting a copy of the California Community Foundation Investment Report to the Board of Directors. The report is for the quarter ending December 31, 2018.

Attachments

- A. California Community Foundation Fund Statement - December 31, 2018
- B. California Community Foundation Endowment Pool Investments – December 31, 2018

Prepared by:



Sean Murdock
Director,
Finance and Administration
714-560-5685

Approved by:



Andrew Oftelie
Chief Financial Officer
714-560-5649



Fund Name: OCTA - Measure M2 Environmental Mitigation Program Fund
Fund Start Date: 2/28/2017
Investment Pool(s): Endowment Pool

FUND STATEMENT

OCTA - Measure M2 Environmental Mitigation Program Fund (V398)

10/1/2018 - 12/31/2018

Fund Summary

	This Period 10/01/2018 - 12/31/2018	Calendar YTD 1/1/2018 - 12/31/2018
Opening Fund Balance	\$9,311,197.08	\$6,220,553.14
Contributions	0.00	2,877,000.00
Investment Activity, net	(743,038.31)	(511,794.70)
Administration & Grant Management Fees	0.00	(17,599.67)
Net Changes to Fund	(743,038.31)	2,347,605.63
Ending Balance	\$8,568,158.77	\$8,568,158.77

Investment Pool Performance as of 12/31/2018

	This Qtr.	1 - Year	3 - Years	5 - Years	10 - Years
Endowment Pool	-8.0%	-4.8%	5.9%	3.3%	7.4%
Social Impact Endowment Pool	-8.1%	-3.8%	5.1%	4.4%	7.9%
Conservative Balanced Pool	3.2%	-0.1%	3.9%	3.4%	n/a
Short Duration Bond Pool	1.5%	1.4%	1.4%	n/a	n/a
Capital Preservation Pool	0.6%	1.9%	1.0%	0.6%	0.6%

Endowment Pool - invested for long-term growth and appreciation while providing a relatively predictable stream of distributions that keeps pace with inflation over time. The target asset allocation is 50% equities, 14% hedge funds, 22% fixed income and 14% real assets. Investment management fees are 66 basis points.

Social Impact Endowment Pool - invested in a diversified pool aiming for capital growth for long-term grantmaking; underlying instruments undergo rigorous environmental and social analysis, with an asset allocation of approximately 60%-75% equities and 25%-40% fixed income. Investment management fees are 68 basis points.

Conservative Balanced Pool - designed to aim for moderate growth and to offer diversified exposure to the U.S. equity market and to investment grade fixed income with maturities from one to five years and an asset allocation of 70% fixed income and 30% equities investments. Investment management fees are 9 basis points.

Short Duration Bond Pool - invested to offer diversified exposure to investment grade fixed income with maturities from one to five years for the purposes of grants over a near-term one to four year horizon. Investment management fees are 5 basis points.

Capital Preservation Pool - designed to preserve principal and provide liquidity for present grantmaking needs through investment in short-term fixed income and cash instruments. Investment management fees are 10 basis points.

The Endowment Pool returned -4.3% for the month of December 2018, 20 basis points behind its benchmark. For the trailing year, the pool returned -4.8%, 160 basis points ahead of its benchmark.

Total Pool Assets

\$1.015 billion (Endowment Pool), \$1.66 billion (total foundation assets) as of December 31, 2018.

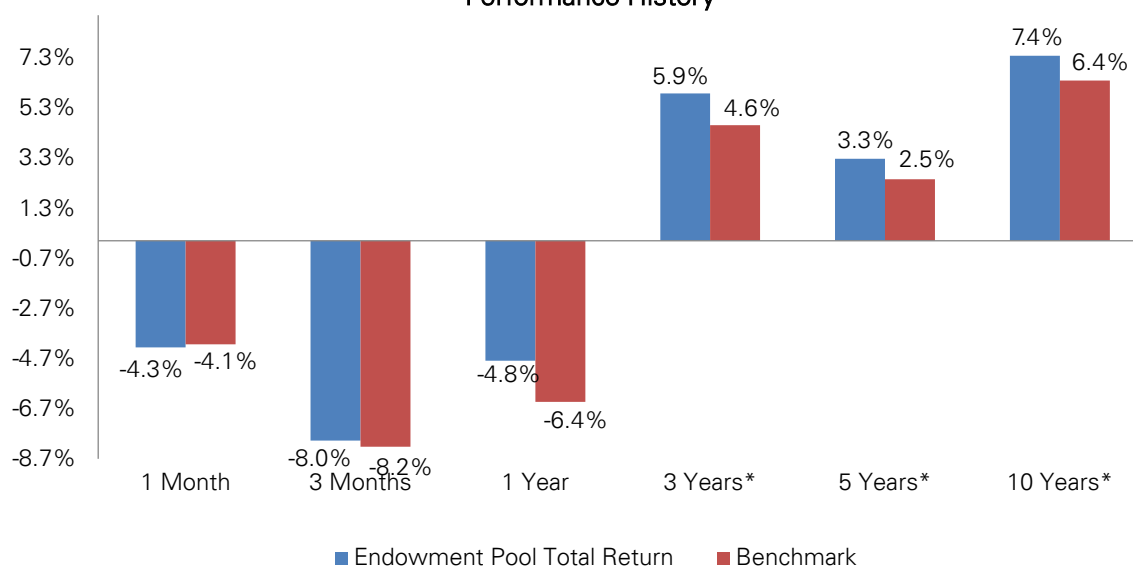
Pool Objective

Preserve the real (i.e., inflation-adjusted) purchasing power of the investment pool net of annual distributions for grants and expenses. An additional objective is to provide a relatively predictable, stable stream of distributions for grants and expenses that keep pace with inflation over time.

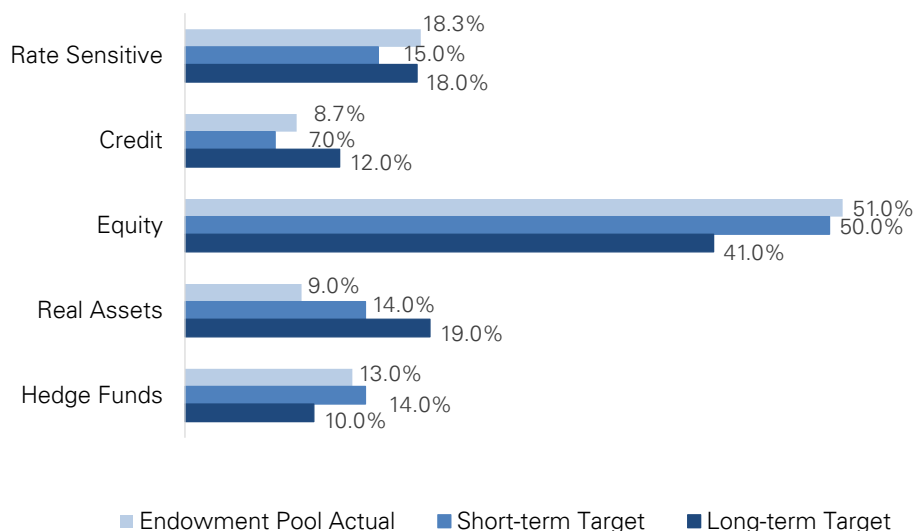
Investment Consultant

Meketa Investment Group

Performance History



Asset Allocation



*Represents annualized returns.

1) Investment expense ratio approximates 0.63%, excluding fund manager incentive fees.

2) Investment performance is presented net of investment expenses, including fund manager incentive fees.

3) Total Fund Benchmark is a combination of: 50% MSCI ACWI / 14% HFR FOF / 14% S&P Real Assets Indx / 15% Barc Agg. / 7% Barc High Yield.

4) Short-term target allocation is over 2-5 years, long-term target allocation is over 5-10 years.



March 13, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Fiscal Year 2018-19 Second Quarter Budget Status Report

Overview

The Orange County Transportation Authority's staff has implemented the fiscal year 2018-19 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the second quarter of fiscal year 2018-19.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2018-19 Budget on June 11, 2018. The approved budget itemized the anticipated revenues and expenses necessary to deliver OCTA's transportation programs and projects.

The balanced budget as originally approved by the Board in June was \$1.31 billion. Sources of funds were comprised of \$1.07 billion in current FY revenues and \$237.8 million in use of prior year designations. Uses of funds were comprised of \$1.23 billion of current FY expenditures and \$80.3 million of designations.

The Board approved three amendments through the second quarter, increasing the expense budget by \$132.8 million. These amendments brought the total working budget to \$1.44 billion as summarized in Table 1 on the following page.

Table 1 - Working Budget

Date	Description	Amount*
7/1/2018	Adopted Budget	\$ 1,305,861
8/13/2018	Purchase of eight streetcar vehicles and spare parts	51,528
9/24/2018	Construction of the OC Streetcar project	81,000
10/22/2018	Administration of the OC Taxi Administration Program	251
	<i>Subtotal Amendments</i>	<i>132,779</i>
	Total Working Budget	\$ 1,438,640

*in thousands

Discussion

Staff monitors and analyzes revenues and expenditures versus the working budget. The Quarterly Budget Status Report (Attachment A) provides a summary-level overview of staffing levels and explanations for material budget-to-actual variances within each pertinent OCTA program. The OCTA programs included in Attachment A are Bus, Commuter Rail, 91 Express Lanes, Motorist and Taxi Services, and Measure M2 (M2).

Total salaries and benefits underran the budget by \$5.4 million. This is due to vacancies OCTA-wide. As a result, an underrun can be expected to continue, but can change slightly throughout the year based on future net vacancies.

Table 2 on the next page provides a year-to-date snapshot of advances for both the Local Transportation Authority (LTA) M2 Program and Local Transportation Fund (LTF) Bus Program sales tax revenues against the budget through the second quarter. For both programs, it is anticipated that sales tax for the second quarter will continue to be received over the next few months as the California Department of Tax and Fee Administration (CDTFA) continues to process sales tax allocations. Staff is continuing to work with the CDTFA to ensure all sales tax receipts are accounted for and posted against the appropriate quarter.

Based on advances posted to date, the year-end LTA M2 Program sales tax revenue is estimated to grow by 2.9 percent year-over-year in comparison to the budgeted growth rate of 3.7 percent. LTF Bus Program sales tax revenue is estimated to grow by 2.2 percent year-over-year in comparison to the budgeted growth rate of 3.1 percent. The year-end estimated growth rate is currently forecasted to be lower than the budgeted growth rate, primarily due to the previous FY ending on a higher base. On a comparative basis, had the previous FY finished in alignment with the FY 2017-18 budget, then the current year-over-year growth rate would be approximately 3.6 percent for the LTA M2 Program compared to the current budgeted growth rate of 3.7 percent and approximately 5 percent for the LTF Bus Program compared to the current budgeted growth rate of 3.1 percent.

Table 2 - Second Quarter LTA and LTF Sales Tax Revenue					
	Budget	Actual	\$ Variance	% Variance	
LTA	\$ 164,277,836	\$ 163,060,290	\$ (1,217,546)	-0.74%	
LTF	\$ 84,337,022	\$ 85,762,756	\$ 1,425,735	1.69%	

Bus Program operating revenue overran the budget by \$8.5 million, primarily due to the receipt of state transit operating assistance funds which were received earlier in the FY than anticipated. Other factors leading to the revenue overrun are greater than anticipated sales tax revenue and revenue from the sale of alternative fuel credits. Bus Program operating expenses underran the budget by \$4 million, primarily due to staffing vacancies. Contributing to the underrun is contracted specialty services such as OC Flex and the Enhanced Mobility for Seniors and Disabled Persons program. These underruns are largely due to the timing of billing and are expected to diminish as the FY progresses. The underruns were slightly offset by a \$2.3 million overrun in fuel expense. Due to maintenance issues on a Southern California natural gas pipeline and higher demand for gas statewide, price increases for renewable natural gas were observed.

Bus Program capital revenue overran the budget by \$3.1 million due to state grant revenue received for the purchase of six 40-foot buses for a new Bravo! rapid transit route. State Low Carbon Transit Operations Program grant revenue associated with this project was budgeted in the prior FY, but received in the current FY. Capital expenses underran the budget by \$0.6 million due to contract execution timing for a revitalization project at the Fullerton Transportation Center. This variance is anticipated to diminish once the encumbered contract is executed in the third quarter of this FY.

Rail Program operating revenue overran the budget by \$0.7 million primarily due to interest earned on investments in the cash account based on a large average monthly cash balance in the program fund. Operating expenses underran by \$11.3 million, primarily due to contract execution timing with Southern California Regional Rail Authority (SCRRA) for OCTA's annual portion of the Metrolink operating subsidy. The contract was executed in the second quarter, one quarter later than anticipated, causing invoice timing to be one quarter in arrears and contributing \$9.6 million to the variance. However, this should normalize in the second half of the FY. Also contributing to the operating expense underrun is a \$1 million variance associated with on-call design review services for the design phase of the Placentia Metrolink station project. Design review work cannot be initiated until a shared-use agreement is in place between SCRRA and Burlington Northern Santa Fe Railway, owner of the railway at the project location. The shared-use agreement is anticipated to be completed in the third quarter, and design review work can begin.

Capital revenue for the Rail Program overran by \$13.4 million due to receipt of grant funds which were budgeted in a prior FY for construction of the Orange Transportation Center parking structure project, Placentia Metrolink station project, and Laguna Niguel-San Juan Capistrano passing siding project. Capital expenses were aligned with the budget through the second quarter, coming within two percent of the budgeted amount.

The 91 Express Lanes operating revenue overran by \$0.8 million due to higher than anticipated toll violation fees collected. Operating expenses underran by \$2.7 million due to the timing of a contract task order for back office support, as well as the timing of invoicing pertaining to the leasehold agreement for the customer service center and tow truck agreement with Riverside County Transportation Commission (RCTC). Additionally, as-needed services such as technical, strategic, and operations office support underran the budget.

Capital revenue and expenses for the 91 Express Lanes Program each underran the budget by \$0.8 million, primarily associated with the customer service center improvement project. The project is led by RCTC, and they have chosen to invoice OCTA at the end of the project in the next FY. However at the time of the budget development, billing for OCTA's portion was anticipated at regular intervals. Due to the underrun in capital expenses, less capital revenue is needed to cover the expenses. The variances will continue throughout the balance of the FY.

Actual revenue for the Motorist Services Program overran the budget by \$0.1 million, or approximately two percent. The overrun is due to the timing of anticipated city contributions to the program received through the second quarter. This variance will diminish as the FY continues. Expenses for the program underran the budget by \$0.4 million due to billing in arrears for tow service costs under the Service Authority for Freeway Emergencies.

Expenses for the M2 Program underran the budget by \$48.3 million, primarily due to lower than anticipated project payment requests from the cities and county for the Regional Capacity and Regional Traffic Signal Synchronization programs. Another cause of the underrun in M2 Program expenses is right-of-way acquisition and right-of-way support services for the Interstate 405 (I-405) Improvement Project being less than anticipated through the second quarter.

Summary

Overall, revenue overran the budget by \$57 million, primarily due to prior FY grant revenues received in the current FY. Operating expenses underran the budget by \$61 million, primarily due to an underrun in contributions to local agencies based on lower than anticipated project payment requests and the quarterly Metrolink operating subsidy payment which occurred after the quarter closed. Capital expenses underran the budget by \$23 million, primarily due to right-of-way acquisition expenditures for the I-405 Improvement project. Salaries and benefits underran by \$5 million due to vacancies OCTA-wide.

Attachment

- A. Quarterly Budget Status Report Second Quarter of Fiscal Year 2018-19

Prepared by:



Anthony Baruch
Section Manager,
Financial Planning and Analysis
(714) 560-5332

Approved by:

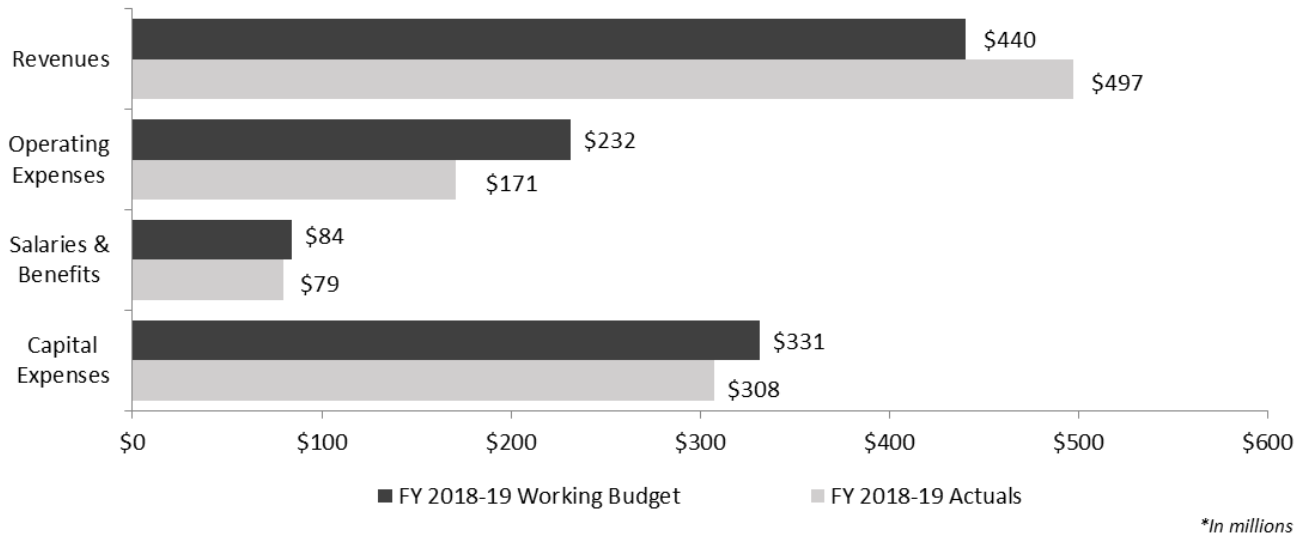


Andrew Oftelie
Chief Financial Officer,
Finance and Administration
(714) 560-5649



Quarterly Budget Status Report

Second Quarter of Fiscal Year 2018-19



STAFFING

A staffing plan of 1,353 full-time equivalent positions was approved by the Board of Directors (Board) for fiscal year (FY) 2018-19. At the end of the second quarter, 1,242 of these positions were filled, representing a vacancy rate of 8.2 percent.

Staffing Description	Budget	Filled	Vacant	% Vacancy
Coach Operators	639.0	585.0	54.0	8.5%
Maintenance	171.0	148.0	23.0	13.5%
TCU	37.0	35.0	2.0	5.4%
<i>Union Subtotal</i>	<i>847.0</i>	<i>768.0</i>	<i>79.0</i>	<i>9.3%</i>
Bus Operations Support	165.5	157.0	8.5	5.1%
Other Administrative	340.5	317.0	23.5	6.9%
<i>Administrative Subtotal</i>	<i>506.0</i>	<i>474.0</i>	<i>32.0</i>	<i>6.3%</i>
Total OCTA	1,353.0	1,242.0	111.0	8.2%

TOTAL SALARIES AND BENEFITS

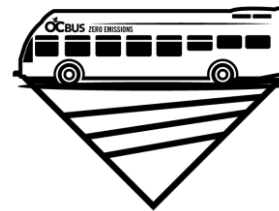
Total salaries and benefits of \$78.4 million were \$5.4 million lower than the budget of \$83.9 million. This variance is comprised of a \$3.2 million underrun in Bus Program salaries and benefits, as well as a \$2.2 million underrun in General Fund salaries and benefits. In both groups, the underruns are the result of vacant positions.

	Budget	Actual	\$ Variance	% Variance
Bus Program	\$ 54,404	\$ 51,187	\$ 3,217	5.9%
General Fund	29,466	27,256	2,210	7.5%
Total	\$ 83,870	\$ 78,443	\$ 5,427	6.5%

PROGRAM VARIANCES

Year-to-date material variances are listed below by program. All dollar amounts in tables are shown in thousands.

Bus Program



	Budget	Actual	\$ Variance	% Variance
Operating				
Revenue	\$ 124,807	\$ 133,281	\$ 8,474	6.8%
Expenses	119,416	115,445	3,971	3.3%
Net Operating	\$ 5,391	\$ 17,837		
Capital				
Revenue	3,593	6,677	3,084	85.8%
Expenses	3,593	2,961	632	17.6%
Net Capital	\$ -	\$ 3,716		

Operating Revenue: Operating revenue for the Bus Program overran by \$8.5 million, primarily due to early receipt of state transit operating assistance funds (\$3.4 million), higher sales tax receipts (\$1.4 million), better than expected revenue from the sale of alternative fuel credits (\$1 million),

and grant funds associated with administration of the Vanpool Program (\$0.7 million).

The \$3.4 million overrun is tied to the receipt of state transit operating assistance revenues which were received earlier in the FY than anticipated. At the time of budget development, staff was unable to determine when the funds would be received, and so they were budgeted later in the FY. This variance will diminish as the FY continues.

Local Transportation Fund (LTF) sales tax revenue contributed \$1.4 million to the overrun through the second quarter of the FY. LTF Bus Program sales tax revenue is estimated to grow by 2.2 percent year-over-year in comparison to the budgeted growth rate of 3.1 percent. The year-end estimated growth rate is currently forecasted to be lower than the budgeted growth rate due to the previous FY ending on a higher base. On a comparative basis, had the previous FY finished in alignment with the FY 2017-18 budget, then the current year-over-year growth rate would be approximately 5 percent compared to the current budgeted growth rate of 3.1 percent.

Contributing to the overrun is \$1 million due to sales of credits for operating an alternative fuel fleet of buses. Compared to the figures used for budgeting purposes of \$112 per credit, a higher average per credit of \$188 has been received through the second quarter of the FY which has led to an overrun. This variance is expected to continue throughout the FY.

The \$0.7 million overrun associated with the administration of the Vanpool Program is due to the timing of grant funds. In a prior FY, OCTA budgeted receipt of federal operating assistance funds to match the expenditures, but the funds were received in the current FY.

Operating Expenses: The \$4 million underrun in Bus Program operating expenses can be primarily attributed to salaries and benefits (\$3.2 million) and contracted special service (\$0.8 million).

Salaries and benefits underran the budget by \$3.2 million. This is primarily due to vacant positions. The vacancy rate at the end of the second quarter was 9.8 percent for Bus Program union employees and 4.6 percent for Bus Program administrative employees.

Contracted special services such as OC Flex micro-transit and the Enhanced Mobility for Seniors and Disabled (EMSD) Program contributed a total of \$0.8 million to the underrun. A \$0.4 million underrun for OC Flex service is due to the timing of invoicing from the service vendor. However, actuals are anticipated to align with the budget as the FY progresses. The EMSD Program is contributing \$0.4 million to the underrun due to contract execution timing. Contract negotiations between OCTA and the

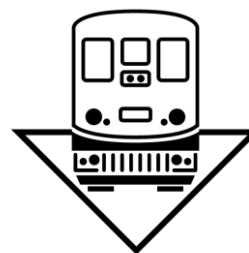
agencies participating in the program led to invoices being held until the second half of the FY. This variance is anticipated to diminish as contracts are executed and expenditures are realized.

One offsetting overrun to the variance was observed in fuels in the amount of \$2.3 million. The primary driver of this overrun is price increases for renewable natural gas. This is due to maintenance issues on a Southern California gas pipeline, and higher demand for gas throughout the state. This item will likely continue to overrun for the remainder of the FY.

Capital Revenue: Capital revenue overran the budget by \$3.1 million. This is primarily due to state grant funds associated with the purchase of six buses for a new Bravo! bus route along Beach Boulevard. State Low Carbon Transit Operations Program grant revenue associated with this project was budgeted in the prior FY but received in the current FY. This variance is expected to remain throughout the FY.

Capital Expenses: Capital expenses underran the budget by \$0.6 million, due to contract execution timing for a revitalization project at the Fullerton Transportation Center. A request for bids to revitalize bus platforms and canopies was conducted in the first half of the FY but was postponed due to non-responsive bidders. A rebidding of the contract will take place in the second half of the FY, with an encumbered contract anticipated to be executed before the end of the FY.

Rail Program



	Budget	Actual	\$ Variance	% Variance
Operating				
Revenue	\$ 22,214	\$ 22,885	\$ 670	3.0%
Expenses	22,214	10,894	11,320	51.0%
Net Operating	\$ -	\$ 11,990		
Capital				
Revenue	583	13,990	13,406	2298.2%
Expenses	470	464	5	1.1%
Net Capital	\$ 114	\$ 13,525		

Operating Revenue: Rail Program operating revenue overran the budget by \$0.7 million, primarily due to positive interest on investments for the program. This is due to a slightly larger average cash balance than originally anticipated during the budget development.

Operating Expenses: Rail Program operating expenses underran the budget by \$11.3 million.

The underrun is primarily associated with a \$9.6 million underrun caused by contract execution timing with Southern California Regional Rail Authority (SCRRA) for the Metrolink operating subsidy payments. The funding agreement between OCTA and SCRRA for FY 2018-19 annual operating subsidy was finalized and signed in the second quarter, one quarter later than anticipated. As a result, invoices were held until the agreement could be completed and are running one quarter in arrears. The variance should be resolved by the fourth quarter.

Also contributing to the variance is a \$1 million underrun associated with on-call design review services for the design phase of the Placentia Metrolink station project. The underrun is due to the timing of a shared-use agreement between SCRRA and Burlington Northern Santa Fe Railway (BNSF), which has not been finalized. The design review by BNSF will begin when the agreement is reached.

The remainder of the underrun is primarily associated with public outreach and project management services for multiple rail projects which are utilized on an as-needed basis. Because the services are used as-needed, the frequency and magnitude of the services can be difficult to forecast.

Capital Revenue: The \$13.4 million overrun in Rail Program capital revenue can be attributed to reimbursements associated with the Orange Transportation Center parking structure project, Placentia Metrolink station project, Laguna Niguel-San Juan Capistrano passing siding project, and Anaheim Canyon Metrolink station project. State and federal capital grant funds for the right-of-way and construction phases of these projects were budgeted in a prior FY and received in the first half of the current FY based on eligible expenses.

Capital Expenses: Rail Program capital expenses were aligned with the budget through the second quarter, coming within two percent of the budgeted amount of \$0.5 million.

91 Express Lanes Program



	Budget	Actual	\$ Variance	% Variance
Operating				
Revenue	\$ 28,049	\$ 28,869	\$ 820	2.9%
Expenses	10,969	8,286	2,682	24.5%
Net Operating	\$ 17,080	\$ 20,583		
Capital				
Revenue	875	79	(796)	-90.9%
Expenses	875	79	796	90.9%
Net Capital	\$ -	\$ -		

Operating Revenue: The 91 Express Lanes operating revenue overran the budget by \$0.8 million due to higher than anticipated toll violation fees collected. Due to the variable nature of this revenue source, it can be difficult to forecast.

Operating Expenses: The 91 Express Lanes operating expenses underran the budget by \$2.7 million. The underrun is primarily due to the timing of the back-office support contract task order, as well as, the timing of invoices pertaining to the Riverside County Transportation Commission (RCTC) leasehold agreement and tow truck agreement, totaling a \$1.7 million variance. In addition, as-needed services such as technical, strategic, and operations office support underran the budget through the second quarter in the amount of \$0.6 million. Staff anticipates these expenditures will increase as the FY progresses.

Capital Revenue: Capital revenue for the 91 Express Lanes Program underran the budget by \$0.8 million and is directly tied to capital expenses.

Capital Expenses: Capital expenses for the 91 Express Lanes Program underran the budget by \$0.8 million primarily due to invoicing for customer service center improvements (\$0.5 million) and computer equipment (\$0.2 million).

The underrun of \$0.5 million associated with customer service center improvements is due to invoices not being received in the current FY as expected. RCTC is the lead on this project, and at the time of budget development it was anticipated that OCTA would receive regular invoicing from RCTC. However, they now plan to invoice OCTA after the improvements are complete, which is anticipated to occur next FY.

The underrun of \$0.2 million for computer equipment is associated with the 6C transponder project led by RCTC. Billing is anticipated to be received later in the FY.

Motorist Services Program

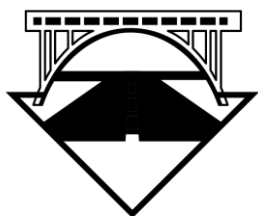


	Budget	Actual	\$ Variance	% Variance
Operating				
Revenue	\$ 2,838	\$ 2,904	\$ 65	2.3%
Expenses	2,838	2,473	365	12.9%
Net Operating	\$ -	\$ 431		

Operating Revenue: Operating revenue for the Motorist Services Program overran the budget by \$0.1 million, or approximately two percent. The overrun is due to the timing of city contributions to the Orange County Taxi Administration Program received through the second quarter. This variance will diminish as the FY continues.

Operating Expenses: Operating expenses for the Motorist Services Program underran the budget by \$0.4 million. The underrun is entirely associated with the Service Authority for Freeway Emergencies. This is primarily due to tow service costs for Freeway Service Patrol. Invoices anticipated to be paid by the end of the second quarter will be paid in the third quarter.

M2 Program



Revenue: M2 Program sales tax revenue underran the budget by \$1.2 million through December 2018. Based on advances posted to-date, the year-end M2 Program sales tax revenue is estimated to grow by 2.9 percent year-over-year in comparison to the budgeted growth rate of 3.7 percent. The year-end estimated growth rate is currently forecasted to be lower than the budgeted growth rate due to the previous FY ending on a higher base. On a comparative basis, had the previous FY finished in alignment with the FY 2017-18 budget, then the current year-over-year growth rate would be approximately 3.6 percent compared to the

current budgeted growth rate of 3.7 percent. However, it is anticipated that sales tax for the second quarter will continue to be received over the next few months as the California Department of Tax and Fee Administration (CDTFA) continues to process sales tax allocations. Staff is continuing to work with the CDTFA to ensure all sales tax receipts are accounted for and posted against the appropriate quarter.

Mode	Budget	Actual	\$ Variance	% Variance
Streets & Roads	68,716	44,979	23,737	34.5%
Freeways	39,155	17,254	21,902	55.9%
Debt Service	10,315	10,315	0	0.0%
Administration	4,502	3,707	796	17.7%
Transit	5,329	3,438	1,891	35.5%
Total	\$ 128,018	\$ 79,692	\$ 48,325	37.7%

Expenses: The M2 Program expenditures underran the budget by \$48.3 million. Streets and Roads contributed \$23.7 million to the underrun due to lower than anticipated project payment requests from the cities and county for the Regional Capacity and Regional Traffic Signal Synchronization programs. Freeways contributed \$21.9 million to the underrun, primarily due to right-of-way acquisition and support services for the I-405 Improvement project. Transit contributed \$1.9 million to the underrun, primarily due to actual as-needed rail program support services which were lower than anticipated. Typically, as-needed expenses can be difficult to project. M2 Program administration expenses contributed \$0.8 million to the underrun due to lower debt issuance services, advisor fees, federal compliance advisory services, and M2 technical support staff services through the second quarter than budgeted.



March 13, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer
Janet Sutter, Executive Director
Internal Audit Department

Subject: Orange County Transportation Authority Internal Audit Department
Peer Review

Overview

An external quality assurance, or peer, review has been completed of the Internal Audit Department of the Orange County Transportation Authority. The peer review found that the Internal Audit Department's quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Generally Accepted Government Auditing Standards for the period January 1, 2016 through December 31, 2018. The peer review team also provided a management letter with two suggestions to further strengthen the internal quality control system.

Recommendation

Direct the Internal Audit Department to implement the suggestions provided by the Association of Local Government Auditors in a letter dated February 7, 2019.

Background

Generally Accepted Government Auditing Standards (GAGAS), issued by the United States Government Accountability Office, set professional standards for the performance of government audits. One of the GAGAS standards is that audit departments undergo an external quality assurance, or peer, review once every three years. Internal audit departments may either engage an independent audit firm to have the peer review performed, or participate in a peer review program of a recognized professional association.

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) sought the assistance of the Association of Local Government Auditors (ALGA) to perform the peer review. ALGA's peer review program is well developed and is rotational in nature. By volunteering on peer review teams of other agencies, Internal Audit received this reciprocal peer review at minimal cost to OCTA.

The peer review was performed during the week of February 4, 2019.

Discussion

The peer review process began a few months prior to the site visit. Internal Audit worked with an ALGA peer review coordinator to schedule the review. The coordinator solicited volunteers nationally and evaluated those volunteers' independence with regard to OCTA and Internal Audit personnel. The peer review team assembled for OCTA's peer review included the City Auditor of Denton, Texas and an Assistant City Auditor from the City of Dallas, Texas.

Prior to the site visit, the peer review team was provided with Internal Audit's policies and procedures manual, organizational chart and staff information, OCTA background information, an inventory of all audits completed during the three year period, and a description of Internal Audit's quality control system.

Once on site, the peer review team conducted interviews of staff, reviewed audit workpapers, reports, quarterly audit plan updates, and other documents produced by Internal Audit. The peer review team also evaluated Internal Audit's independence and reviewed staff training records.

The peer review team concluded that Internal Audit's quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with GAGAS for the period January 1, 2016 through December 31, 2018. The report on compliance with GAGAS can be found at Attachment A.

In addition to issuing its report on compliance with GAGAS, the peer review team provided Internal Audit with a management letter (Attachment B). The peer review team recognized Internal Audit for its organized and easy to follow audit workpapers, its well-documented policies and procedures, and its highly skilled and experienced staff members. Also, the team recognized OCTA management and the Chairman of the Finance and Administration Committee for their appreciation of the Internal Audit function.

The peer review team also provided two recommendations related to the inclusion of language in audit reports to indicate the evaluation of internal controls and inclusion of language to communicate the nature of Internal Audit's role when participating in annual Bus Base Inspections. Internal Audit agreed and has revised audit report templates and the agreement with management for participation in bus base inspections to include these recommended disclosures. Internal Audit's complete response can be found at Attachment C.

Summary

A peer review has been completed of Internal Audit. The peer review found that Internal Audit's quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with GAGAS for the period January 1, 2016 through December 31, 2018. The peer review team provided two suggestions to further strengthen the internal quality control system.

Attachments

- A. External Quality Control Review Orange County Transportation Authority Internal Audit Department
- B. Letter from Umesh Dalal, CPA, CIA and Bob Smith, CPA, to Janet Sutter, Executive Director of Internal Audit, dated February 7, 2019
- C. Letter from Janet E. Sutter, Executive Director, Internal Audit, to ALGA Peer Review Team Leader Umesh Dalal, City Auditor, dated February 8, 2019

Approved by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591



External Quality Control Review

Orange County Transportation Authority Internal
Audit Department

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period from January 1, 2016 through
December 31, 2018



Association of Local Government Auditors

February 7, 2019

Ms. Janet Sutter,
Executive Director of Internal Audit
550 S. Main Street,
Orange, CA 92868

Dear Ms. Sutter,

We have completed a peer review of the Orange County Transportation Authority Internal Audit Department for the period from January 1, 2016 through December 31, 2018. In conducting our review, we followed the standards and guidelines contained in the Peer Review Guide published by the Association of Local Government Auditors (ALGA). We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with Government Auditing Standards issued by the Comptroller General of the United States.

Our procedures included:

- Reviewing the Internal Audit Department's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, the Internal Audit Department management, the Deputy Chief Executive Officer, and the Chairman of the Finance and Administration Committee of the Board to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the Orange County Transportation Authority Internal Audit Department's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for audits and attestation engagements during the period from January 1, 2016 through

December 31, 2018. We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Sincerely,

A handwritten signature in black ink, appearing to read 'Umesh Dalal', with a stylized, flowing script.

Umesh Dalal, CPA, CIA
City Auditor, City of Denton
Team Leader

A handwritten signature in black ink, appearing to read 'Bob Smith', with a stylized, flowing script.

Bob Smith, CPA
Assistant City Auditor, City of Dallas
Team Member



Association of Local Government Auditors

February 7, 2019

Ms. Janet Sutter,
Executive Director of Internal Audit
550 S. Main Street,
Orange, CA 92868

Dear Ms. Sutter,

We have completed a peer review of the Orange County Transportation Authority Internal Audit Department for the period from January 1, 2016 through December 31, 2018 and issued our report thereon dated February 7, 2019. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review. We would like to mention some of the areas in which we believe your office excels:

- Work papers were organized and easy to follow.
- Policies and Procedures were adequately documented and provided guidance to the audit staff to comply with Generally Accepted Government Auditing Standards (GAGAS).
- Audit staff was highly skilled and experienced.
- The OCTA management and the Chairman of the Finance and Administration Committee of the Board held the Internal Audit Department in high regards.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to Government Auditing Standards:

- Standard 7.19 requires auditors to include in the audit report:
 - 1) the scope of their work on internal control and
 - 2) any deficiencies in internal control that are significant within the context of the audit objectives and based upon the audit work performed.

Although, we found evidence of work done to evaluate internal controls in your work papers, the required statement was not included in the audit report. We recommend that in the future you include the required statement in accordance with the standard 7.19.

- Standard 2.12 states, "When performing nonaudit services for an entity for which the audit organization performs a GAGAS audit, audit organizations should communicate with

requestors and those charged with governance to clarify that the work performed does not constitute an audit conducted in accordance with GAGAS.” We found that the Internal Audit Department used the forgoing communication in the reports related to the nonaudit services except for the services provided for the annual Bus Base Inspections. We recommend that the Internal Audit Department communicate the nature of services provided for the Bus Base Inspections consistent with the standard 2.12.

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,



Umesh Dalal, CPA, CIA
City Auditor, City of Denton
Team Leader



Bob Smith, CPA
Assistant City Auditor, City of Dallas
Team Member



AFFILIATED AGENCIES

*Orange County
Transit District*

*Local Transportation
Authority*

*Service Authority for
Freeway Emergencies*

*Consolidated Transportation
Service Agency*

*Congestion Management
Agency*

February 8, 2019

ALGA Peer Review Team Leader

**Umesh Dalal, City Auditor
City of Denton, Auditor's Office
215 E. McKinney St.
Denton, TX 76201**

ALGA Peer Review Team Member

**Bob Smith, Assistant City Auditor
City of Dallas, Office of the City Auditor
1500 Marilla Street, Room 2FN
Dallas, TX 75201**

Dear Mr. Dalal and Mr. Smith:

I have reviewed your report dated February 7, 2019, containing the results of your peer review of the Internal Audit Department (Department) of the Orange County Transportation Authority (OCTA), performed using guidelines established by the Association of Local Government Auditors (ALGA). We are pleased that you found that our internal quality control system was suitably designed and operating effectively during the audit period January 1, 2016 through December 31, 2018.

We appreciate the review team's recognition of areas in which the Department excels and suggestions to enhance compliance with Government Auditing Standards (GAGAS). Following is a summary of your suggestions and my planned actions to address these.

Recommendation 1: While workpapers evidence evaluation of internal controls, the required statement related to internal control, as required by Standard 7.19, was not included in audit reports.

The Department agrees and will update audit report templates to include additional verbiage to ensure compliance with Standard 7.19.

Recommendation 2: When performing non-audit services related to the annual Bus Base Inspections, provide documented communication to management as to the nature of the services provided.

Mr. Dalal and Mr. Smith
February 8, 2019
Page 2

The Department agrees and will update the letter of agreement for this service to reflect additional disclosure as to the nature and limitations of the services to be provided.

The Department finds the ALGA Peer Review to be a very valuable and constructive process. We very much appreciate the time you took away from your own departments to review our operation. Thank you for the professional and thorough manner in which you conducted this work, and for the opportunity to share ideas that we can apply in our respective organizations.

Sincerely,



Janet E. Sutter, Executive Director
Internal Audit

Attachments

c: Mr. Michael Hennessey, Chairman, OCTA Finance and Administration Committee
Mr. Darrell Johnson, Chief Executive Officer
Ms. Lori Brooks Jaquess, ALGA Review Coordinator



Measure M2 Bond Pricing Summary



Transaction Timeline

Date	Event
July 26, 2017	Date of Financing Close for the TIFIA Loan and Lines of Credit
November 11, 2018	Select Underwriting Syndicate
January 28, 2019	Board Approval of Transaction
January 29, 2019	Rating Agency Meetings <ul style="list-style-type: none">• Fitch• S&P• Moody's (courtesy meeting)
February 5, 2019	Post Preliminary Official Statement
February 6/7, 2019	Receive Ratings <ul style="list-style-type: none">• Fitch: AA+• S&P: AA+
February 12, 2019	Bond Pricing
February 26, 2019	Closing
TBD Following Closing	Termination of LOC

Series 2019 Bond Issuance Overview

- Total bond proceeds of \$443.5 million
- Ten-year optional par call provision
- All-In true interest cost of 3.14%
- Average annual debt service: \$28.3 million
- Refunding of \$43.5 million of 2010 Series A bonds saved \$2.6 million

Measure M2 Bonds Debt Service Overview

Series 2019

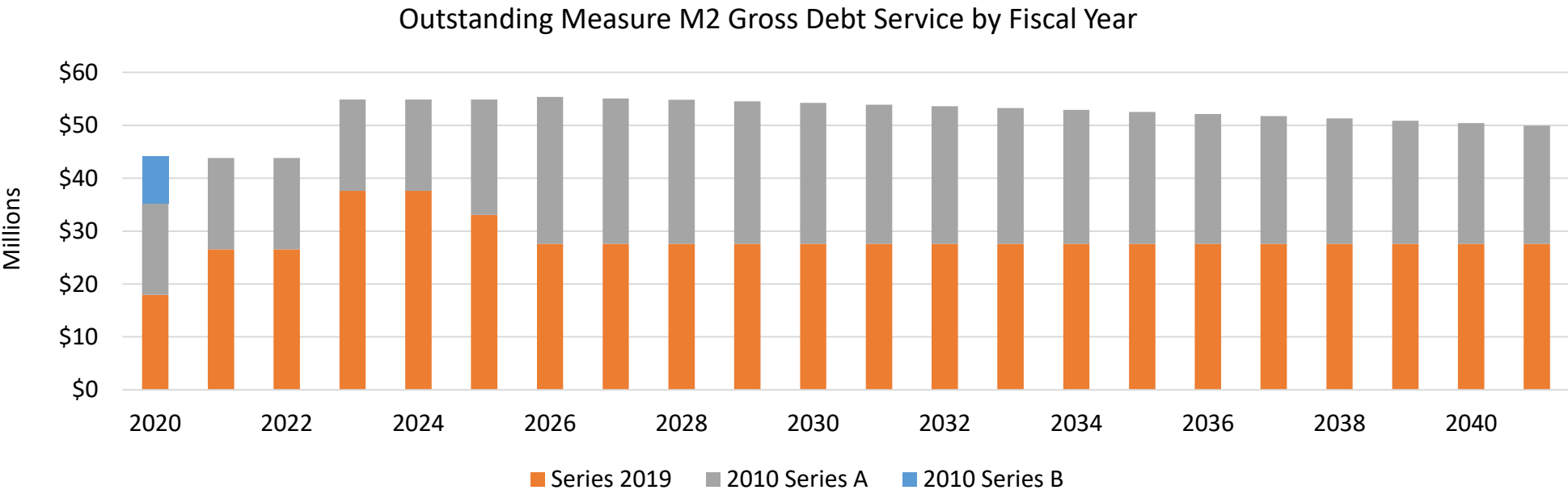
Average annual debt service: \$28 million

Series 2010 A & B

Average annual debt service*: \$23 million

Total Measure M2

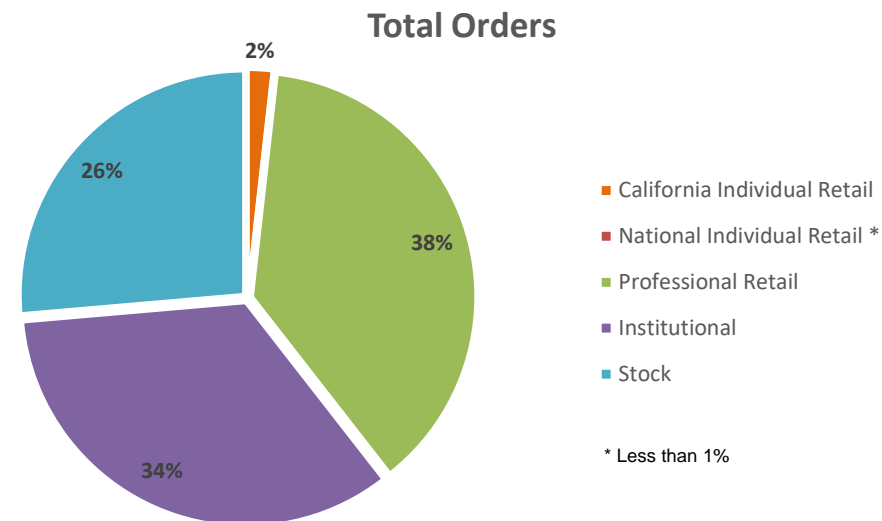
Average annual debt service*: \$52 million



*Gross debt service. Series 2010 A subject to BABs subsidy.

Summary of Orders

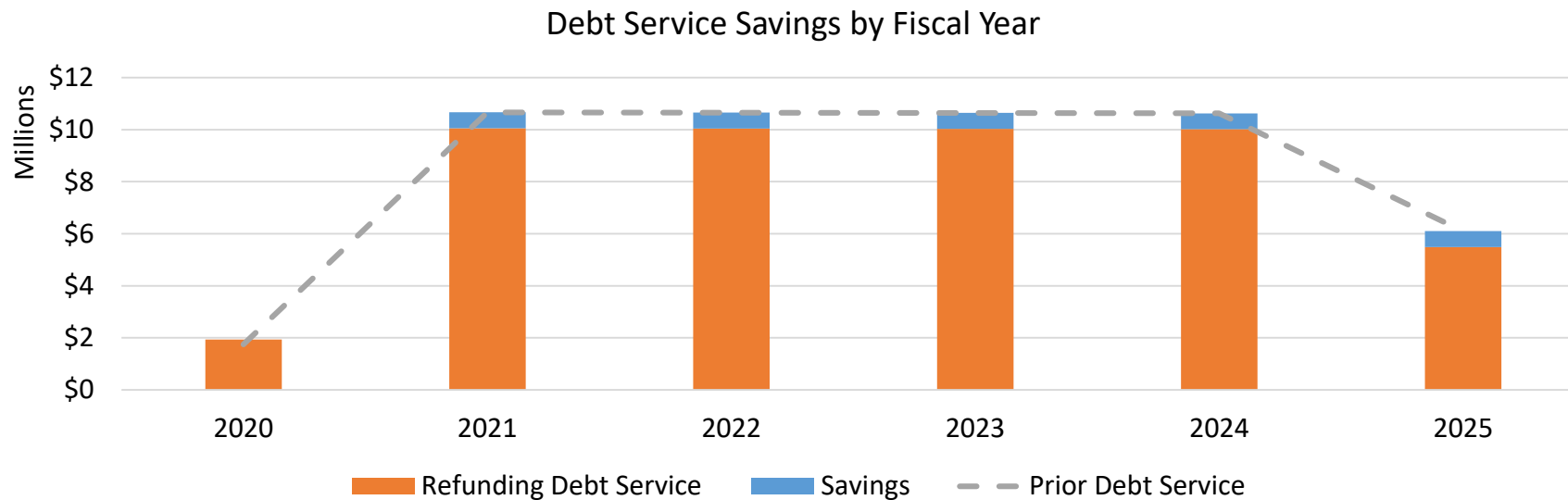
- The underwriting syndicate was led by:
 - Bank of America Merrill Lynch (BAML) as Senior Manager
 - Citigroup as Co-Senior Manager, and
 - Barclays, Goldman Sachs, J.P. Morgan, and Stifel as Co-Managers
- The final total dollar amount of orders received was \$824,295,000
- While total dollar amount of orders exceeded par, there was significant investor demand and oversubscription in some maturities and undersubscription in others



	Amount (\$ Thousands)	Percentage
California Individual Retail	14,630	2%
National Individual Retail *	155	< 1%
Professional Retail	310,600	38%
Institutional	281,550	34%
Stock	217,360	26%
Total	824,295	100%

Refunding of 2010 Series A

- Bond issuance included the refunding of the serial portion of the 2010 Series A bonds, totaling \$43,540,000 in par
- The refunding resulted in Net Present Value savings of \$2,584,394.94 and 5.94% NPV Savings of the Refunded par amount



OCTA Historical Pricing

Issuance	True Interest Cost	Average Life
1992 Measure M1 Bonds	5.99%	10.9 Years
1994 Measure M1 Bonds	4.94%	10.1 Years
1997 Measure M1 Bonds	5.06%	11.9 Years
1998 Measure M1 Bonds	4.58%	7.9 Years
2001 Measure M1 Bonds	4.70%	6.6 Years
2003 91 Express Lanes Bonds	4.43%	16.6 Years
2010 Measure M2 Bonds	4.33%	19.1 Years
2013 91 Express Lanes Bonds	3.83%	10.2 Years
2019 Measure M2 Bonds	3.14%*	13.3 Years

*Represents All-In TIC.